S. HRG. 98-100

S. 742, 743, 744, AND 745, BILLS TO AMEND THE SMALL BUSINESS ACT AND THE SMALL BUSINESS INVESTMENT ACT OF 1958

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

S. 742, 743, 744, AND 745, BILLS TO AMEND THE SMALL BUSINESS ACT AND THE SMALL BUSINESS INVESTMENT ACT OF 1958

APRIL 13, 1983

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HEARING DATE

April 13, 1983:

Morning session 1

S. 742, 743, 744, AND 745, BILLS TO AMEND THE SMALL BUSINESS ACT AND THE SMALL BUSINESS INVESTMENT ACT OF 1958

WEDNESDAY, APRIL 13, 1983

U.S. SENATE,
SMALL BUSINESS COMMITTEE,
Washington, D.C.

The committee met, pursuant to notice, at 10:01 a.m., in room SR432, Russell Senate Office Building, Hon. Sam Nunn (acting chairman of the committee) presiding.

Present: Senator Nunn.

Staff present: Robert M. Wilson, counsel; Alan L. Chvotkin, minority chief counsel; and Dorothy C. Olson, hearing clerk.

STATEMENT OF HON. SAM NUNN, A U.S. SENATOR FROM THE STATE OF GEORGIA

Senator NUNN. The committee will be in order.

Today, the Senate Small Business Committee will consider four bills that I have introduced relating to programs in the Small Business Administration.

I appreciate very much the cooperation that Senator Weicker, the chairman of the committee, has given me in providing an opportunity to have hearings on this legislation at this early date.

Without objection, the four bills will be included in the record.

[Material follows:]

II

98TH CONGRESS
1ST SESSION

S. 742

To increase the program level for the Small Business Administration's certified development company program, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 9 (legislative day, MARCH 7), 1983

Mr. NUNN (for himself, Mr. D'AMATO, Mr. HUDDLESTON, Mr. BUMPERS, Mr. SASSER, Mr. BAUCUS, Mr. LEVIN, Mr. TSONGAS, Mr. DIXON, Mr. BOREN, Mr. CHILES, and Mr. LEAHY) introduced the following bill; which was read twice and referred to the Committee on Small Business

---

A BILL

To increase the program level for the Small Business Administration's certified development company program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 20(n)(2) of the Small Business Act is amended by striking "$350,000,000" and inserting in lieu thereof "$400,000,000".

(b) Section 20(q)(2) of the Small Business Act is amended by striking "$350,000,000" and inserting in lieu thereof "$500,000,000".

II

98TH CONGRESS
1ST SESSION

S. 743

To amend the Small Business Act to increase the program level for funding small business investment companies, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 9 (legislative day, MARCH 7), 1983

Mr. NUNN (for himself, Mr. HUDDLESTON, Mr. BUMPERS, Mr. SASSER, Mr. BAUCUS, Mr. LEVIN, Mr. TSONGAS, Mr. DIXON, Mr. BOREN, Mr. CHILES, and Mr. BOSCHWITZ) introduced the following bill; which was read twice and referred to the Committee on Small Business

---

A BILL

To amend the Small Business Act to increase the program level for funding small business investment companies, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 20(n)(3) of the Small Business Act is amended by striking "$160,000,000" and inserting in lieu thereof "$250,000,000".

(b) Section 20(q)(3) of the Small Business Act is amended by striking "$160,000,000" and inserting in lieu thereof "$250,000,000".

II

98TH CONGRESS
1ST SESSION

S. 744

To amend the Small Business Act to increase the program level for funding 301(d) small business investment companies, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 9 (legislative day, MARCH 7), 1983

Mr. NUNN (for himself, Mr. HUDDLESTON, Mr. BUMPERS, Mr. SASSER, Mr. BAUCUS, Mr. LEVIN, Mr. TSONGAS, Mr. DIXON, Mr. BOREN, and Mr. CHILES) introduced the following bill; which was read twice and referred to the Committee on Small Business

---

A BILL

To amend the Small Business Act to increase the program level for funding 301(d) small business investment companies, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 20(n)(3) of the Small Business Act is amended by striking "$35,000,000" and inserting in lieu thereof "$45,000,000".

(b) Section 20(q)(3) of the Small Business Act is amended by striking "$35,000,000" and inserting in lieu thereof "$45,000,000".

II

98TH CONGRESS
1ST SESSION

S. 745

To amend the Small Business Investment Act of 1958 to provide debentures for State development companies licensed pursuant to section 501 of the Small Business Investment Act of 1958.

IN THE SENATE OF THE UNITED STATES

MARCH 9 (legislative day, MARCH 7), 1983

Mr. NUNN (for himself, Mr. TSONGAS, Mr. BURDICK, Mr. WALLOP, Mr. CHILES, Mr. HUDDLESTON, Mr. SASSER, Mr. BAUCUS, Mr. LEVIN, Mr. DIXON, and Mr. BOREN) introduced the following bill; which was read twice and referred to the Committee on Small Business

---

A BILL

To amend the Small Business Investment Act of 1958 to provide debentures for State development companies licensed pursuant to section 501 of the Small Business Investment Act of 1958.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. This Act may be cited as the "Small Business Administration State Development Company Program Amendments of 1983".

SEC. 2. Section 501 of the Small Business Investment Act of 1958 is amended—

(1) by inserting in the first sentence of subsection (a), after the phrase "make loans to" the phrase ", or to purchase or guarantee debentures issued by,";

(2) in the second sentence by striking the phrase "funds advanced" and inserting in lieu thereof the phrase "loans made";

(3) by adding at the end of subsection (a) the following: "Any purchases or guarantees of debentures made under this section shall be subject to the provisions of subsection (c) of this section, but shall be made without regard to the use and investment by the development company of funds secured by it from other sources."; and

(4) by adding at the end thereof the following:

"(c)(1) The Administration may purchase, or guarantee the timely payment of all principal and interest scheduled on, any debenture issued by any qualified State development company, except that the Administration may not purchase or guarantee any debenture collateralized by obligations described in section 103(b) of the Internal Revenue Code of 1954.

"(2) Such purchases or guarantees may be made by the Administration on such terms and conditions as the Administration may by regulation determine to be appropriate. The Administration may impose an additional charge for adminis-

trative expenses with respect to each debenture purchased or guaranteed under this section.

"(3) The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guarantee under this section.

"(4) Debentures purchased or guaranteed under this section shall be treated on an equal basis in repayment and liquidation with those funds borrowed by the qualified State development company, regardless of source, unless the Administration in its exercise of reasonable investment prudence and in considering the financing soundness of such company determines that debentures purchased or guaranteed may be subordinate to other debts and obligations of such company.

"(5) The interest rate on any such debenture shall be the rate of interest determined by the Secretary of the Treasury pursuant to section 303(b) of this Act.

"(6) The proceeds of any such financing shall be used solely to assist an identifiable small business concern and for a sound business purpose as determined by the Administration.".

SEC. 3. (a) Section 20(n)(2) of the Small Business Act is amended by striking "section 503" each time it appears and inserting in lieu thereof "sections 501 and 503".

(b) Section 20(q)(2) of the Small Business Act is amended by striking "section 503" each time it appears and inserting in lieu thereof "sections 501 and 503".

Senator NUNN. The primary bill under consideration today is S. 745, the Small Business Administration State Development Company Program Amendments of 1983. I apologize for the length of that title and realize that unless we change the title, we will probably never get the bill passed. We will be working on a simpler title as we go along.

In 1958, as an original part of the Small Business Investment Act of 1958, in two simple, straightforward paragraphs, Congress provided the Small Business Administration with authority to make direct loans to State development companies which, in turn, combine private sector funds obtained from member institutions to assist small business in meeting their financial and economic development needs.

The law is clear, however, that SBA has congressional permission to make only direct loans to these 501 companies. Yet, for the past 3 years, the administration has requested an elimination of all direct loans. The combination of these two unrelated matters has the effect of a de facto repeal of the 501 program. I am confident that this is not the intention of this committee, and I doubt that it is the intention of the Small Business Administration.

On March 9, along with 10 other Senators, I introduced S. 745. Simply stated, this bill provides that, in addition to the authority SBA has to make direct loans, they would be given the authority to purchase or guarantee debentures issued by 501 companies.

I am pleased to note that a companion bill has been introduced in the House by Congressman Bedell, with Chairman Mitchell and Messrs. Nowak, Conte, and McDade as cosponsors.

S. 745 is similar to the legislation I proposed in the last Congress, S. 2876, which had the same intent. After discussions with 501 companies, SBA program officials, and others, I have made two modifications to the bill I introduced in this Congress.

With these changes, I believe the legislation fully accomplishes my purpose of providing an additional means for SBA to continue their partnership with these 501 companies, and maintains the current relationship between SBA and the 501 companies in their financial transactions.

Testifying today on this legislation will be representatives of two of the outstanding 501 companies in operation. Jim Childe is president of the National Association of Business Development Corporations and the Nebraska 501 company. Mike Johnson is executive vice president of the Georgia Business Development Corp., Inc. The committee looks forward to the testimony of both of you gentlemen today.

The three other bills that will receive consideration today provide for increases in the SBA's fiscal year 1983 and 1984 statutory program levels for the 503 certified development program, the Small Business Investment Company program, and the Minority Enterprise SBIC program.

Any business, large or small, black or white or Hispanic, must have access to affordable capital to invest in people or equipment. Study after study has proven that small businesses are leaders in our Nation's innovations and job creation opportunities.

I believe that assisting small businesses in this area of capital formation through proven SBA programs which insist on a part-

nership between the agency and the small business community is the most effective and efficient method of creating permanent private sector jobs in America with Government assistance.

At the appropriate point in the hearing, I will insert statements in support of these bills from interested associations.

[The prepared statement of Senator Nunn follows:]

STATEMENT OF HON. SAM NUNN, A U.S. SENATOR FROM THE STATE OF GEORGIA

Today, the Senate Small Business Committee will consider four bills that I have introduced relating to programs in the Small Business Administration. I appreciate the cooperation that Senator Weicker, the Chairman of the Committee, has given me in providing an opportunity to have hearings on this legislation at this early date. Without objection, the four bills will be included in the Record.

The primary bill under consideration today is S. 745, the "Small Business Administration State Development Company Program amendments of 1983." I apologize for the length of that title.

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The law is clear, however, the SBA has Congressional permission to make only direct loans to these "501 companies." And for the past three years, the Administration has requested an elimination of all direct loans. The combination of these two, unrelated matters has the effect of a de facto repeal of the 501 program. I am confident that this is not the intention of this Committee, and I doubt that it is the intention of the Small Business Administration.

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In addition to the Small Business Administration, testifying today on this legislation will be representatives of two of the outstanding 501 companies in operation. Jim Childe, is President of the National Association of Business Development Corporations, and the Nebraska 501 company. Mike Johnson, is Executive Vice President of the Georgia Business Development Corporation, Inc. The Committee looks forward to their testimony.

The three other bills that will receive consideration today provide for increases in the SBA's fiscal year 1983 and 1984 statutory program levels for: the 503 certified development company program; the Small Business Investment Companies (SBIC) program; and the Minority Enterprise SBIC (MESBIC) program.

Any business—large or small, black, white or hispanic—must have access to affordable capital to invest in people or equipment. Study after study has proven that small businesses are leaders in our Nation's innovations and job creation opportunities.

I believe that assisting small businesses in this area of capital formation through proven SBA programs which insist on a partnership between the agency and the small business community, is the most effective and efficient method of creating permanent, private sector jobs in America.

At the appropriate point in the hearing, I will insert statements in support of these bills from interested associations.

Senator NUNN. In addition to the witnesses I have already named, I am pleased that Lee Sessions, who is senior vice president of C&S Bank in Atlanta and immediate past president of the Busi-

ness Development Corp. of Georgia, is able to be with us this morning.

I have asked Lee to join the panel.

SBA Administrator Sanders was invited to testify at this hearing this morning. Regrettably, the agency was not able to finalize its position on the legislation in time for an appearance today. I agreed in a telephone conversation this morning with Mr. Sanders that it would be better for them to wait until they are fully prepared to present their views. I hope that that will be in the near future.

Finally, during the next 2 days, the National Association of Development Companies, representing many of the 503 certified development companies, is meeting in Washington.

One of the legislative proposals being considered by the committee today is S. 742, a bill to increase the program level for the 503 program.

Rather than just have the statement inserted in the record, I have asked Mr. Kendall Bert, executive director of the Tucson, Ariz., 503 and president of the association, to take a few minutes away from the conference and personally present his statement.

I understand Mr. Bert is here. If you would like, Mr. Bert, you could just join this panel up here this morning. Pull up a chair, and we will have everybody sitting together, and we can hear from each of you.

Why don't we start with Mr. Mike Johnson, executive vice president, Business Development Corporation of Georgia. Mr. Johnson, why don't you fire away. We will probably hear from everyone, and then I will come back with questions, unless some occur to me while you are presenting your testimony.

STATEMENT OF DAVID M. JOHNSON, EXECUTIVE VICE PRESIDENT, THE BUSINESS DEVELOPMENT CORP. OF GEORIGA, INC.

Mr. JOHNSON. Thank you very much. I am very pleased to be here, and I appreciate the invitation and this opportunity.

As you said, I am the executive vice president of The Business Development Corp. of Georgia. I have held that position for the past 3 years.

I am also the second vice president of the National Association of Business Development Companies and will be taking over the office of president year after next.

The Business Development Corp. of Georgia was formed on May 2, 1973, and we made our first investment in 1974. Through the years that have passed since then, we have put on a great number of loans, and our outstanding loans have grown steadily to $10.46 million on December 31, 1982.

I might add that this is a remarkable growth, and it shows a demand for these types of loans in the State of Georgia, which has been growing at an increasing rate over the past few years.

We have made a profit each year of operation, and we have maintained adequate reserves for possible loan losses throughout every year of existence.

For the year 1982, our profit was $143,000, which was the highest in the history of the company. Our loss reserve was increased to 5.8 percent of net loan exposure, which is quite adequate.

During the 10 years that the BDC has been operating, we have processed some 150 loan applications and approved 85 of these for a total of $16.1 million. So far, we have disbursed funds totaling $15.4 million, which went to finance 32 different industrial classifications in our State and created 607 new jobs as a direct result of funding alone. We feel that as much as 5 to 10 times this number of jobs have been created since the direct loan closures.

The BDC staff has grown from one full-time loan officer, with an administrator part time, to four full-time people, with staffing of six projected for 1984.

The company now handles all administrative matters internally, and we have our own computer system which has been fully integrated into the daily administration of the company, giving us the capability of running our own affairs totally in-house in a professional manner.

The types of investments that we like to make include the general categories of plant acquisition, construction, expansion; machinery and equipment acquisition; refinancing for working capital or debt restructuring for improved cash flow and improved working capital.

These categories take on a wide range, but it gives you an idea that 501 companies in general do finance a wide range of purposes and needs and are able to tailor-make our financing as the need presents itself and in the case of the particular situation's needs rather than our particular purpose structure.

The theme for all financing is to create jobs and employment and to create economic benefits for the State of Georgia. We do not finance passive investment and assets such as real estate development for the purpose of leasing or for any other passive purpose, but only to active users who do create commerce and jobs.

All of our borrowers, of course, have to be located in Georgia by statute.

Our minimum loan amount is $100,000, which reaches down to the very smallest manufacturing companies. Our maximum exposure on a single borrower is limited to $400,000, which means that our main concentrated target area is the small industrial market.

With the use of Government guarantee programs such as SBA and Farm Home Administration, this loan size can be multiplied up to a theoretical maximum of $4 million.

This loan exposure is set by our executive committee and by our board of directors, when and if it decides to review this, and is based on our capital structure and is set in accordance with the best judgment of the management of the company to protect the capital position of The BDC.

Senator NUNN. Would you mind telling me how your corporation interrelates to, let's say, an FHA or an SBA loan in order to get up to $4 million?

Mr. JOHNSON. Well, our exposure on the loan cannot exceed $400,000, but with a Farmer's Home Administration guarantee of, say, 90 percent, then our exposure would be 10 percent or $400,000, so theoretically, the loan size could be $4 million. Then the guaran-

tee could be sold to an investor such as an insurance company, bank, or other type of investor, a pension fund, which would mean that we would end up with a $400,000 investment with a participation sold to an institution.

Senator NUNN. I see. Thank you.

Mr. JOHNSON. We rely heavily upon the asset values that we are financing, and with our experience and background in this kind of lending, we try to make loans available to those concerns who have the assets for financing in those categories but maybe do not have the most sterling balance sheets or historical cash flows.

We do take risks that are sometimes outside the loan policies of the banking community and other conventional lending institutions, which is one of the reasons that the market is as active as it is in Georgia for us.

The term of our loans runs from 5 years minimum, by statute, and no more than 15 years, by statute.

The source of our funds is our stockholder/members, and so our interest rates are based on their rates, which are prime plus one-quarter of 1 percent and float on a quarterly basis.

Our most frequent type of loan is a small industrial plant or small industrial manufacturing concern. We base a loan on the physical assets and amortize that loan over 5 to 15 years.

The loan proceeds, as I mentioned before, can be for any reasonable purpose whatsoever.

The BDC is precluded by statute from competing with any other financial institution by our enabling legislation, so that we do provide diligence to determine whether or not these investments have been declined by the conventional lending institution in their market area.

In spite of the obvious risk in this kind of lending, we feel as if we have done a pretty good job of managing these risk factors. Throughout the 10 years, there have been seven foreclosures totaling $806,000 worth of loans, including interest and other expenses, compared to a total loan investment through those years of $16.1 million. Only two of these have resulted in losses after liquidation, and so our loss experience has been held to less than 1 percent, which is quite a good number. As a matter of fact, it compares somewhat with the banking community in general.

Our sources of funds are mainly from our members. We have obtained 501 direct loan funds totaling $1 million in 1980, which was the first year that we had applied.

In 1981 and 1982, we tried to apply. Our applications were not accepted by the District Office because of the comment from Washington that there were no funds available, which leads us directly to this bill.

The present situation is that the BDC of Georgia——

Senator NUNN. What was the first year of your operation?

Mr. JOHNSON. In 1974, our first investment was made.

Senator NUNN. But 1980 was the first time you got a direct loan?

Mr. JOHNSON. That is correct.

Senator NUNN. What was your source of funding before that?

Mr. JOHNSON. Our member lines totaled $10 million, and we had not used up 75 percent of those by that date.

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Senator NUNN. And so you are talking about no Government funds?

Mr. JOHNSON. No Government funds until 1980.

Senator NUNN. Until 1980.

Mr. JOHNSON. Our total loans outstanding now are approximately $12 million as of this date. They have grown since yearend, of course.

We have used up, or have plans to use up, our entire membership line commitments, and, of course, we have used the 501 funds in the past and have been marketing the SBA guarantees in the secondary market to generate lendable funds. During 1982, we sold $2.4 million of the $6.5 million that we held in inventory on our books, reducing that amount, of course, to about $4 million.

We do anticipate generating new SBA guarantees for resale in the secondary market. We cannot anticipate that these would be generated at a rate sufficient to continue funding the growth of the company.

We expect that we would run out of ways to generate lendable funds by the end of next year—completely out, to the point where we could make investments only in the amount of repayments, prepayments, or retainage of earnings from each year's operations.

Senator NUNN. You made $140,000 last year?

Mr. JOHNSON. Right.

Senator NUNN. How much of that was distributed?

Mr. JOHNSON. None. We don't pay dividends, and we will not, by policy, pay dividends, policy of the board of directors.

Senator NUNN. You could if you wanted to.

Mr. JOHNSON. It is legal, but we have never paid a dividend.

Senator NUNN. You have retained it?

Mr. JOHNSON. We have retained it.

Senator NUNN. The people who invested in the stock are getting their returns through growth in the stock value, is that right?

Mr. JOHNSON. Right. The growth in the stock has been over 20 percent for the last 3 years.

Senator NUNN. Each year?

Mr. JOHNSON. Yes.

Senator NUNN. And how is that stock traded?

Mr. JOHNSON. It is not traded.

Senator NUNN. If you were a stockholder and wanted to sell yours, where would you sell it?

Mr. JOHNSON. You would have to locate a buyer yourself. The chances are that it would not be a marketable security.

Senator NUNN. When you say the value has increased 20 percent each year for the last 3 years, then you mean the book value?

Mr. JOHNSON. I am speaking of the book value only, right. There is no market value. We have actually retained earnings equal to, or in excess of, 20 percent for the past 3 years.

Senator NUNN. Is it really a marketable security in the sense that if you wanted to sell it, you could find someone to buy it?

Mr. JOHNSON. You probably could not without searching pretty hard. We would assist someone in doing so, but to answer your question——

Senator NUNN. How about other stockholders? If it has that kind of growth, wouldn't they be willing to buy?

Mr. JOHNSON. Well, let me explain who the stockholders are and what the relationship is.

The members are stockholder/members, as we call them. The members buy stock, possibly 10 percent of their statutory commitment. The other 90 percent is put up in a line of credit which is a quarter of a point over prime rate. All but four of our stockholder/members are line lenders as well, so they receive a profit on the lines of credit they extend.

They are not really seeking a profit on our stock. They made the investment for the purpose of creating an industrial development fund in 1973 and 1974, when the stock purchases were made.

I might add that that purpose has been attractive enough that we have added stockholders through the years and have grown on that base and continue to add several each year. Well, we have added two in the last year, so several could be two or three.

Senator NUNN. What kind of line of credit do they normally put up? Is it varied?

Mr. JOHNSON. Well, it is limited to $750,000 by statute, and it is 5 percent of their statutory capital base.

Senator NUNN. All right, walk me through this. Let's say a person comes in to see you and says, "I am interested in being one of your stockholders and I can put up a line of credit of $1 million." Exactly what would that person put up in terms of money or collateral, and so forth? What would be that person's investment, and how would he recoup return?

Mr. JOHNSON. First of all, he would be limited to $750,000 as a member.

Senator NUNN. $750,000?

Mr. JOHNSON. Right.

Senator NUNN. As a minimum or maximum?

Mr. JOHNSON. Maximum. Actually, there is no minimum. It depends on the size of the bank. Now, members are members of the financial community. They are financial institutions as defined by law.

Senator NUNN. Right.

Mr. JOHNSON. The thing we ask them to do is to buy some stock, and it is somewhat a token amount of purchase. It is usually a target amount of 10 percent of the total commitment.

Most of our member banks have bought 10 percent, the large ones buying $75,000 and putting up $675,000 in the form of a line of credit, on which they receive a quarter of a point over prime rate. They receive no cash payment on the stock. There is no dividend. There is only book value appreciation.

Senator NUNN. But they get a quarter of a point above prime on the line?

Mr. JOHNSON. On the line outstanding, and no commitment fee on the line.

Senator NUNN. So if prime were 10 percent, they would get 10.25 percent.

Mr. JOHNSON. Correct.

Senator NUNN. What is in it for them? I mean, they could make that kind of investment with their own loans. They are not getting more than they could get otherwise. Is it watching the community grow? Is that the essence of it?

Mr. JOHNSON. Watching the small industrial concerns get financed, who ultimately are or become their customers and increase the general economic benefit of their market area.

Senator NUNN. Are your financial institutions primarily small ones or large ones?

Mr. JOHNSON. Well, the financial institutions in Georgia are primarily in either one of two groups: they are either very large or very small.

Senator NUNN. Which would be the predominant?

Mr. JOHNSON. We have, I think, 6 institutions that would be considered large, and then 24 that would be considered small. We have 6 at around half a billion dollars in assets or above, and then we have 24 that are probably under $100 million. There are very few groups in between. There are some, but not that many, out of the total 429 banks that have been chartered in Georgia.

We serve very effectively. Fifty percent of our investments are in the Atlanta metropolitan area, which also holds 50 percent of the population. Fifty percent of our investments are outside that metropolitan area, which has the smaller banking community in it.

Now, the way we assist a small bank in providing industrial funds to a customer there is that that bank has a lending limit, and let's just say it is $200,000. A customer comes into his market and borrows that $200,000. Where does he go from there? He could go to a correspondent bank or to a neighboring bank in another town, or he could come to the BDC and obtain a 15-year plant financing, freeing up the local bank to do shorter term and more bankable types of lending to that concern.

In that way we would lend, together with the smaller banks, and together with the larger ones as well, but for the smaller one, it is a dollars-and-cents proposition whether they can multiply their own ability to provide credit to their local customer. By being a stockholder and by being on our board and participating in the BDC management, they have, of course, a good working relationship with us. This is the way that we attract new members.

We, historically—and this is historically of the recent past—have created, directly created, a new job for about every $29,000 we invest in fixed assets. I have projected that we would create about 150 in 1983, 162 in 1984, and 182 in 1985.

We are hoping that the debenture money would be available and that we would be able to use that money in conjunction with our own, such that a new job would be created for about every $7,000 of Federal funds put in the BDC of Georgia. I think that is a remarkable number, particularly when the investment would be paid back over the term of the debenture and would be paid back at a rate higher than the Government cost of funds.

[The prepared statement of Mr. Johnson follows:]

Testimony Before the

Senate Small Business Committee

by

David M. Johnson

Executive Vice President

The Business Development Corporation of Georgia, Inc.

April 13, 1983

I am the Executive Vice President of The Business Development Corporation of Georgia, Inc., a position that I have held for the past three years. As such, I am the Chief Operating Officer and have the responsibility for directing the activities of The BDC on a daily basis. I also hold the office of Second Vice President of the National Association of Business Development Companies.

HISTORY

The Business Development Corporation of Georgia, Inc. was formed on May 2, 1973 pursuant to enabling legislation passed by the State Legislative Session in 1972. The first small business loan was closed in 1974. The dollar amount of loans outstanding have grown steadily each year to reach 10.46 million dollars at December 31, 1982. The company has made a profit each year of operation and while maintaining an adequate reserve for possible losses. The profit for the year ended December 31, 1982 was $143,000, the highest in the history of the company and the loss reserve was increased to a record 5.8% of net loan exposure.

ACCOMPLISHMENTS

During the ten years that The BDC has been operating, it has processed some 150 loan applications involving 32.2 million dollars and approved 85 of these for a total of 16.1 million dollars. So far, 15.4 million dollars have been funded which went to finance 32 different industrial classifications and went to directly create 607 new jobs. The BDC staff has grown to four

with staffing of six projected for 1984.

The company handles all matters pertaining to administration, bookkeeping, loan processing and collection with its in house staff. The BDC has its own computer system which has been fully integrated into daily administration.

TYPES OF INVESTMENTS

In Appendix A is outlined the Loan Policies of The BDC of Georgia. In Appendices B, C and D are Cases of loan investments made by The BDC of Georgia for your review.

The BDC does have restrictions on the type of investment that it can make. The loans generally have to fall under the purposes of plant acquisition, construction, or expansion; machinery and equipment acquisition; refinance for working capital or debt restructuring for improved cash flow. But, an underlying theme is that jobs are to be preserved or created as a direct result of our investment in a small business concern. For this reason, we shy away from any loan investment that looks as if it is actually a passive investment rather than a user of assets. Because we are a State Development Company, all of our borrowers have to be located in Georgia and our loan funds have to be used in creating commerce and jobs for the State of Georgia. Our minimum loan amount is $100,000 and our maximum exposure on any single borrower is limited to $400,000. With the Farmer's Home Administration guarantees this exposure could be used to make a loan of $4,000,000 in size, which would be the maximum size that we could make. The BDC looks more carefully at

its secondary sources of repayment than most conventional institutions. For that reason, we rely heavily upon the liquidation values of collateral rather than balance sheets and cash flows. The BDC stays clear of loan applications from companies engaged in entertainment and recreation, retail food operations and similar industries. The term of a loan from BDC must have a maturity of at least five years but no more than fifteen years. Since our source of funds is the stockholder/members, the interest rate is based upon prevailing prime rate in our market and floats on a monthly or a quarterly basis.

The most frequent type of loan is small industrial plant financing. This is generally unavailable from savings and loan associations, insurance companies or banks due to credit requirements or terms. Another frequently encountered loan need is an industrial concern that needs more money than is available through the local banks due to legal limits on credit commitments to single borrowers. The BDC can make additional loans to companies or purchase participations from local banks. The third most frequent reason for borrowing through the BDC is that the credit standards of the borrower are assessed by conventional institutions as being riskier than they would prefer. The BDC structures a loan (or a loan with equity features) to overcome these risk aspects.

The BDC is precluded from competing with other financial institutions by the enabling legislation. The BDC prefers to lend in cooperation with other lenders in a community. The most

successful loan is one that is paid off by conventional lending institutions who have qualified the borrower according to their standards after having matured for a few years with The BDC.

In spite of the obvious risk factors related to the kind of lending that the BDC endeavors to do, foreclosures and liquidations have been held to a reasonable level. Through the end of 1982, which covers ten years of activity, there have been seven foreclosures totaling $806,000. Compared to a total loan investment of 16.1 million, since inception. This would be considered good performance for a bank but is exceptionally good for a State Development Company, who is in business to take the less desirable loan investments. Loss experience has been held to less than one (1%) percent throughout the history of the BDC of Georgia.

SOURCES OF FUNDS

The BDC has obtained most of its money from its base Stockholder/Members to date under a formula contained in the enabling legislation which requires that these "members" make five (5%) percent of their "statutory capital base" available to the BDC of Georgia in the form of common stock investment, a revolving line of credit or a combination. At present, the limit on these funds based on current membership, is 10.0 million dollars. The BDC of Georgia received two loans under the 501 loan program in 1980 for $500,000 which provided 1.0 million dollars.

Since the change in administrations, direct loan funds have

not been available under the 501 program.

The ending loans were 10.46 million dollars, which were funded from member investment, the 501 loans still outstanding, retainage of earnings and the sale of 7a Guarantees on the secondary market. During 1982, we sold 2.4 million dollars of the 6.5 million dollars on hand to provide funding for scheduled closings. Although new SBA 7a loans were made, we project that the inventory of 7a Guarantees may be completely exhausted during 1984.

SUMMARY

The Business Development Corporation of Georgia, Inc. supports S. 745 because it provides a mechanism for obtaining funding through SBA, as was intended by section 501 of the Small Business Investment Act of 1958 and as was intended by the founders of this company. We have carefully read the Bill and find that the terms and requirements are completely satisfactory. In accordance with the projections of loan volume contained in Appendix E, The BDC of Georgia can be expected to be a user of these funds for 1.0 to 1.5 million dollars per year for the next three years. This is based upon certain assumptions involving the amount of SBA Guarantees generated for resale and the amount of prepayments we receive.

The BDC of Georgia has experienced that it creates a new job for every $29,000 it invests. This would create 149 in 1983, 162 in 1984 and 182 in 1985 if the trend holds true. We are projecting that less than 25% of the investment would come from

Federal funds so the jobs created for Federal Dollar invested would be about one for every $7,000, which is very good. Furthermore, the investments would be paid back over the term of the debenture.

We at The BDC of Georgia would appeal to you to reinstate the 501 program through passage of S. 745 because it will further the purpose of job creation through a proper and efficient alliance between the private sector and the public in the State of Georgia.

APPENDIX A

I. Loan Purposes

A. Plant acquisition

B. New plant construction

C. Plant expansion

D. Machinery and equipment acquisition

E. Working capital

F. Debt restructuring

II. Not Eligible

A. Real Estate acquisition for investment

B. Land speculation

C. Bail out of existing financial institutions

D. Any loan whose proceeds would go to benefit an owner of the Borrower

E. Financing for any passive venture

III. Qualifications of Borrower

A. Must be located in Georgia

B. Must be engaged in manufacturing, distributing, wholesaling, service of other active business which provides jobs and other economic benefits to state

IV. Criteria for Consideration of Application

A. All loans must be fully secured

B. Loan amounts must be at least $100,000 and no more than $300,000, except in the case of a participant on Government Guaranty. Example: With an SBA Guaranty the BDC can make a loan of $800,000

C. Owners, directors and key management must have good character and reputation

D. New businesses must have significant initial investment although no specific ratio is used

E. Industry must be one that is not typically prone to failure during down cycles such as carpet and housing

F. The BDC also looks very carefully at loan applications from entertainment and recreation industries such as bars, restaurants, resorts, racquet ball clubs, roller rinks, etc.

APPENDIX A (cont.)

V. Terms & Conditions

A. The terms must be at least 5 years but no more than 15 years

B. The interest rate will be variable and based on Prime

C. Personal Guarantees are required

D. Title insurance on real property is generally required

E. All loans are closed by the counsel of BDC

F. A fee of one percent of the loan amount is usually required

VI. Other

A. SBA Guarantees are required on most qualifying borrowers

B. Loan application generally take about 6 weeks before closing

C. Construction loans must be obtained from other sources because BDC is not trained or staffed to manage project advances and inspection

VII. Procedures for Applying

A. Application is completed & delivered to the Executive Vice President where it is analyzed

B. The borrower and the Executive Vice President then decide if a loan is feasible on some basis

C. A recommendation is made by the Executive Vice President to the Loan Committee and if approved a committment is issued

D. Loan is closed by attorney of BDC - borrower pays costs

APPENDIX B

CASE HISTORY

Universal Ceramics, Inc.

Universal Ceramics, Inc. was formed by the sale of stock to over 2,600 Stockholders located in the State of Georgia, during the early sixties, to manufacture quarry tile from abundant natural shale clay, located in Adairsville. The company received approximately $1,000,000 from the sale of stock and provided sufficient funds to construct a plant and equip the first complete production line.

The company began to break even,and then show a profit,by the middle seventies, when production demands caused a second shift to become necessary. By 1979, orders could not be filled on a timely basis and the BDC was contacted after the company unsuccessfully sought financing from the Atlanta Banks for expansion.

The BDC closed a loan for $400,000 in April, 1980 in conjunction with about $600,000, in equipment leases, that would double the production capacity of the plant. This additional capacity finally came on line around the beginning of 1981, and sales prospects look promising enough that a third production line is in the planning stages.

Universal Ceramics, Inc. employs 53 people in its plant in Adairsville, Georgia, 12 of which were added as a direct result of the doubling of production, with 7 more scheduled as volume increases.

APPENDIX C

CASE HISTORY

Security Wherehouse, Inc.

Security Wherehouse, Inc.is a distributor of electronic components, headquartered in Marietta, Georgia, with branch offices currently in Orlando, Florida, Cincinnati, Ohio, Chicago, Illionois and plans for opening offices in major metro areas east of the Mississippi River.

Sales for the fiscal year, to end March 31, 1981, are estimated to top $5.0 million, and projection for the next fiscal year to, at least, double this amount.

The BDC made the loan that was used by Robert A. Contestabile to start this business in June, 1979, and due to rapid growth and success made an additional loan in September, 1980, to finance growth.

No conventional lending institution, such as a Commercial Bank, would make this loan when approached by Mr. Contestabile in 1979, due to their restrictions on capitalization of newly formed businesses. The BDC loan officer analyzed the individual's obvious skill and management ability, and decided that he possessed the necessary ingredients to be successful.

We are very proud of this customer who has now progressed beyond the need for BDC, in services, and is now being financed through a line of credit from a major New York Bank Holding Company subsidiary. The company now employs 31 full-time employees, most of which are located in the headquarters in Marietta, Georgia.

APPENDIX D

CASE HISTORY

Southeast Georgia Agricultural Production
And Development Corporation

The BDC participated with two other Georgia Banks in committing private funds to be used by the above non-profit corporation for the purpose of constructing and operating an ethanol plant in Douglas, Ga. The Southeast Georgia Area Planning and Development Commission put together three government grants for a total of $950,000 and requested that private lending sources such as banks and BDC make available a total of $1,850,000 in money to be guaranteed by FmHA. The project was completely stalled due to a combination of small lending limits by local banks, lack of understanding of the project on the part of some local officials.

After reviewing the project the Federal Government contribution in the form of grants and guarantees the BDC agreed to participate for half the risk with the Farmers Bank of Douglas thereby enabling this project to be ultimately assembled.

The project will create 35 temporary jobs, approximately 50 permanent jobs as a result of being built plus it will greatly increase the economic prosperity of farmers within a radius of reasonable transport distance of corn growers.

APPENDIX E

Projection of Funding Requirements

	1983	1984	1985
New Loans	4,350	4,700	5,300
SBA Gt'd	2,000	2,000	2,000
Gty Amounts (80%)	1,600	1,600	1,600
Prepmts/repmts	1,200	1,400	1,600
Ret earnings increase	199	274	364
New loans less Gty sales prepmts and retained earnings equals net funding need	1,351	1,426	1,736
New Jobs Created	149	162	182

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The Business Development Corporation of Georgia, Inc.

Tenth Annual Report 1982

TO STOCKHOLDERS AND MEMBERS

We are pleased to present the results of the fiscal year ending December 31, 1982. This marks the tenth year of operation for your company.

In spite of a recessionary economy and excessively high interest rates, the company's loan closings improved from $2,892,100 in 1981 to $4,068,000 in 1982. Net profit increased to its highest level in our 10 year history, $142,945, while earnings per share increased to $4.11 compared to $3.91 in 1981. The reserve for possible loan losses was increased from $103,250 in 1981 to $230,850 in 1982. On a percentage basis, the loan loss reserve at year end was 5.8% of exposure on loans versus 5% in 1981. This increase reflects the conservative view of management in light of the continuing effects of the recent recession and places the company in the strongest loss reserve position in its history.

Even with the extra contribution to the loan loss reserve in 1982, return on assets, though down from 1981, was quite satisfactory at 1.84%. Return on equity was also down slightly to 20.00%. We are pleased that net worth has increased $152,000 to $787,000 in a year in which we placed heavy emphasis on building the loss reserve.

Through funding of $1,400,000 in tax exempt Industrial Development Bonds in which banks participated for an extra $850,000, BDC greatly reduced its tax burden for 1982 and for years to come.

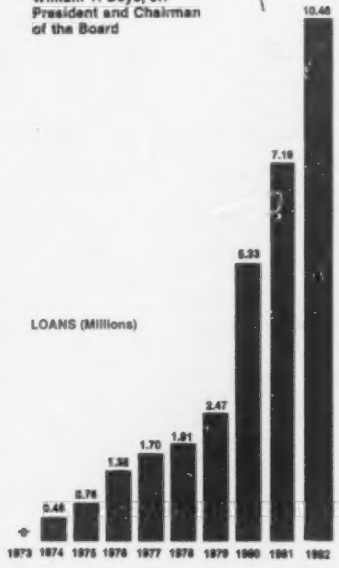
The company also achieved a milestone of exceeding $10,000,000 in loan outstandings with total outstandings of $10,456,000 at year end.

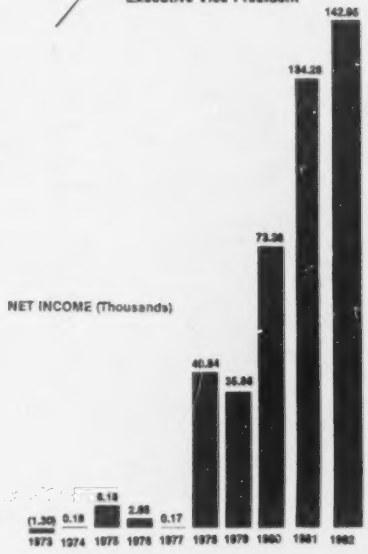
We are also pleased to announce the addition of our newest stockholder / member, Moultrie National Bank. This new stockholder is an important addition in a market area which should provide strong loan activity in the future.

We all face an uncertain future due to the volatility of the economy and continuing changes in federal policies toward SBA and FmHA. We feel that the BDC is properly positioned to take advantage of investment opportunities and to handle problems as they arise.

William T. Deyo, Jr.
President and Chairman
of the Board

Mike Johnson
Executive Vice President





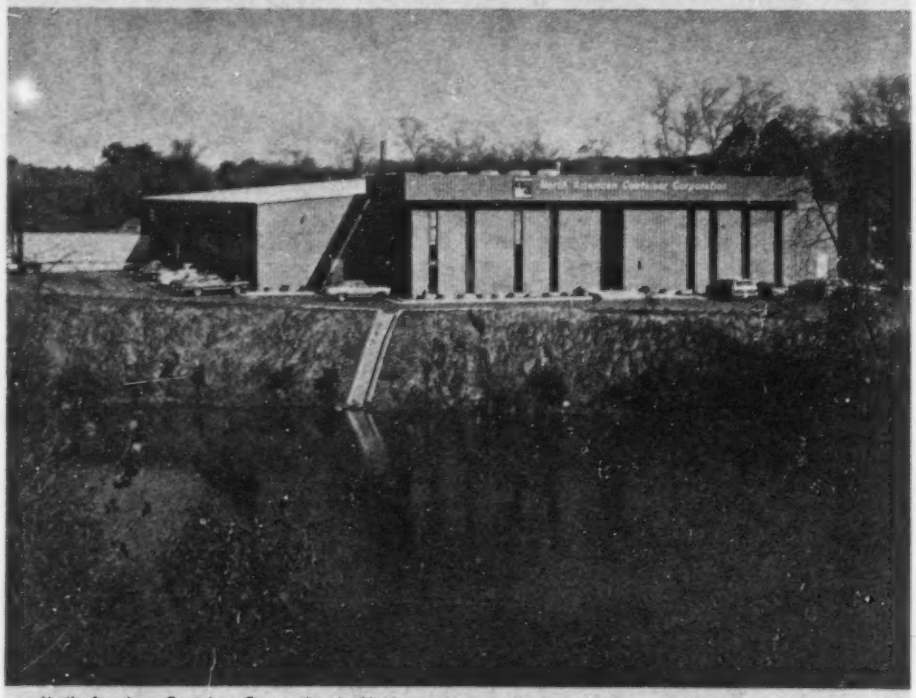
Statistical Summary of Loan Activity (000's Omitted)

	1982			Since Inception		
	No.	Amount	SBA Qty.	No.	Amount	SBA Qty.
Processed	38	$ 9,502	$ 5,098	150	$ 32,248	$ 20,200
Declined	7	2,380	1,854	36	8,275	6,088
Withdrawn	8	2,343	1,028	29	7,885	4,589
Approved	23	4,799	2,216	85	16,106	9,524
Disbursed	19	4,068	1,802	68	15,377	9,011
Undisbursed	4	731	414	4	731	414
Foreclosed	1	106	-0-	7	806	383
Prepaid	3	696	626	15	2,875	1,174

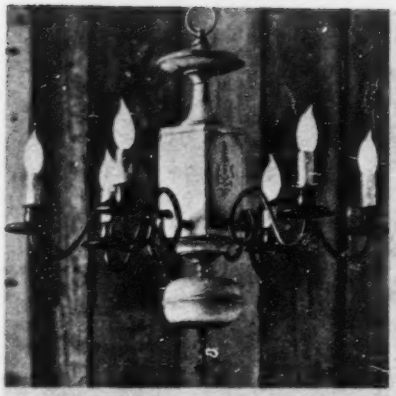
Loan Investments and Jobs Created by Industry Types (000's Omitted)

	Loans	Jobs		Loans	Jobs
Carpet Manufacturing	$ 960	39	Mineral Grinding	$ 292	10
Ceramic Tile Mfg.	890	35	Motel	500	3
Commercial Printing	662	12	Restaurant	105	30
Day Care Center	160	7	Rubber Extruding	175	5
Electronics Dist.	400	22	Sales and Service	2,129	51
Ethanol Plant	75	60	Sawmill	75	8
Fabric Printing	500	10	Solar Energy Mfg.	135	4
Food Processing	958	74	Textile Mfg.	400	11
Form Mfg.	225	21	Tobacco Warehousing	425	15
Furniture Refinishing	50	2	Wire Mfg.	1,000	20
Furniture Wholesaling	1,250	10	Wood Novelty Mfg.	657	51
Gasoline Retailing	175	6	Yarn Mfg.	350	14
Hardware Retail	80	2	Cable TV	400	20
Livestock Feed Co.	500	10	Plastics Mfg.	375	5
Hospital	500	5	Building Products	225	15
Container Mfg.	600	20	Other	21	-0-
Lighting Mfg.	328	10	Total	$ 15,377	607

Medical Arts Hospital in Dallas, Ga. is a 40 bed hospital providing medical services to residents in this locality. It employs thirty in the area. This financing was a leveraged buyout.

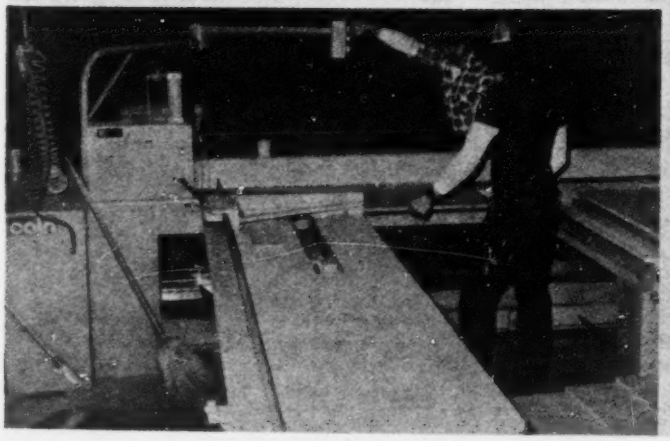


North American Container Corporation in Mableton, Ga. manufactures shipping containers for appliances and similar products. Our financing was an Industrial Development Bond which financed the pictured building. This capital expansion project will increase employment from sixty four to approximately one hundred.



(Left) Georgian Art Lighting Designs, Inc. in Norcross, Ga. is a manufacturer of high quality lighting fixtures. Our financing in this case provided growth capital for rapidly expanding sales. Employment is projected to increase from the present one hundred thirty to one hundred fifty.

(Below) Ply Marts is a supplier of materials to the building industry. Our financing made possible the building of the pictured retail facility which is located in Marietta, Ga. The company's employment due to the new facility has increased by 15.



Blue Ridge Mountain Woodcrafts, Inc., Ellijay, Ga. manufactures plaques and other wood decorating items. We worked with the Bank of Ellijay to provide financing for expansion and new equipment for this plant. Employment will grow from sixty to seventy five as production increases.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 1982 AND 1981

	1982	1981
Income		
Interest on loans	$1,447,422	$1,354,246
Acquisition income	10,750	600
Less interest on borrowed funds	(1,010,045)	(971,478)
Gross income	448,127	383,368
Operating expenses		
Schedule A	156,054	103,941
Contribution to reserve for possible loan losses	123,705	52,828
	279,759	156,769
Net income on operations	169,365	226,599
Other income (expense)		
Rental income	1,264	-
Net income before income taxes	170,632	226,599
Income taxes		
Provision for income taxes (net of investment credit of $731 and $224 for 1982 and 1981 respectively)	33,965	92,998
Deferred taxes	(6,278)	(661)
Net provision for income taxes	27,687	92,327
Net income	142,945	134,272
Retained earnings		
Balance, January 1	282,182	141,337
Less: amounts required for earned surplus (Note 5)	(14,295)	(13,427)
Retained earnings, December 31 (Statement 1)	$ 410,832	$ 282,182

Clifton, Gunderson & Co.

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The Board of Directors
Business Development Corporation of Georgia, Inc.
538 South Omni International, Atlanta, Georgia 30303

We have examined the balance sheets of Business Development Corporation of Georgia, Inc. as of December 31, 1982 and 1981, and the related statements of income and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above, present fairly the financial position of Business Development Corporation of Georgia, Inc. as of December 31, 1982 and 1981, and the results of its operations and the changes in financial position for the periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Clifton, Gunderson & Co.

Atlanta, Georgia
February 4, 1983

BALANCE SHEET

DECEMBER 31, 1982 and 1981

ASSETS

	1982	1981
Cash, prepayments and loans		
Cash and prepayments	$ 4,719	$ 2,998
Cash in bank	165,506	122,272
Accrued interest receivable	38,042	2,106
Prepaid expense		
Total cash, prepayments and accruals	208,267	127,376
Loans		
Loans receivable (Note 1)	1,447,459	1,006,063
Loans receivable SBA (Note 1)	7,607,909	6,306,192
Loans receivable IDB (Note 1)	1,897,479	75,000
Less participations sold (Note 2)	(497,222)	(52,519)
Total loans	10,455,625	7,334,736
Less reserve for possible loan losses (Note 3)	(230,850)	(103,250)
Total loans less loss reserve	10,244,775	7,231,485
Less SBA guarantees sold in secondary market (Note 2)	(2,373,318)	-
Net loans receivable	7,851,457	7,231,486
Total cash, prepayments and loans	8,059,724	7,358,862
Property and equipment		
Real estate and building (Note 4)	106,000	-
Automotive	6,928	6,928
Furniture and fixtures	5,834	5,316
Machinery and equipment	14,325	2,534
Total-at cost	133,087	14,778
Less accumulated depreciation	(14,638)	(7,810)
Total property and equipment	118,449	6,968
Total assets	$ 8,178,173	$ 7,365,830

LIABILITIES AND STOCKHOLDERS EQUITY

	1982	1981
Liabilities		
Payables and accruals		
Accounts payable	$ 5,982	$ 12,063
Collections for participants	20,623	2,755
Withheld and accrued payroll taxes	1,998	1,473
Accrued interest	103,367	128,349
Estimated liability for income taxes	-	64,155
Total payables and accruals	132,668	211,586
Notes payable		
Line of credit with member banks	226,023	823,000
Securities sold under repurchase agreements	-	1,217,000
Twelve month renewable notes (Note 4)	7,030,579	4,670,572
Bank note payable	698	3,491
Total notes payable	7,256,602	6,511,270
Other liabilities		
Deferred income taxes (Note 5)	1,549	7,827
Total liabilities	7,390,819	6,730,685
Stockholders' equity		
Common stock, $10 par value 1,000,000 shares authorized, 34,787 shares issued and outstanding	347,870	343,590
Capital in excess of par	4,283	-
Retained earnings (Statement 2)	390,832	262,182
Earned surplus (Note 5)	44,369	30,074
Treasury stock	-	(701)
Total stockholders' equity	787,354	635,145
Total liabilities and stockholders' equity	$ 8,178,173	$ 7,365,830

These financial statements should be read only in connection with the accompanying accountants' report, summary of significant accounting policies, and notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1982 AND 1981

	1982	1981
Funds were provided by		
Operations:		
Net income	$ 142,945	$ 134,272
Changes and credits to income not affecting funds:		
Depreciation	6,828	2,923
Gain on sale of equipment	-	-
Total funds provided by operations	149,773	137,195
Proceeds from sale of equipment	-	1,766
Decrease in working capital	-	52,556
Increase in notes payable	745,332	1,781,541
Proceeds from sale of stock	9,284	-
Total funds provided	$ 904,389	$1,973,058
Funds were applied to		
Purchase of fixtures and equipment	$ 118,309	$ 3,366
Increase in working capital	159,811	-
Increase in loans and notes receivable	619,971	1,968,330
Decrease in deferred taxes	-	661
Purchase of treasury stock	6,278	701
Total funds applied	$ 904,369	$1,973,058
CHANGES IN WORKING CAPITAL		
Increase (decrease) in cash, prepayments, and accruals		
Cash	$ 1,721	$ (1,226)
Prepayments and accruals	79,170	57,052
Net increase (decrease) in cash and prepayments	80,891	55,826
Increase (decrease) in liabilities		
Accounts payable	11,767	12,968
Bank notes payable	(2,095)	-
Withheld and accrued expense	(24,457)	48,145
Corporate income taxes payable	(64,155)	49,269
Net increase (decrease) in liabilities	(78,920)	108,382
Increase (decrease) in working capital	$ 159,811	$ (52,556)

These financial statements should be read only in connection with the accompanying accountant's report, summary of significant accounting policies, and notes to financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DECEMBER 31, 1982 AND 1981

The Business Development Corporation of Georgia, Inc. was incorporated on May 2, 1973, in the State of Georgia, for the purpose of making loans to new and existing businesses in the State of Georgia. The company's fiscal year ends on December 31. Significant accounting policies followed by the corporation are presented below:

A - Items of furniture and fixtures and machinery and equipment are being depreciated on the straight-line method, over lives ranging generally from three to ten years. The building is being depreciated over a useful life of 20 years using the straight line method for both book and tax purposes.

The company uses the same methods of depreciation in determining taxable income for assets placed in service before 1982 and the accelerated cost recovery method for those assets placed in service during 1982.

B - Investment credit on purchased equipment is accounted for on the "flow-through" method, i.e., as a direct reduction of income taxes in the year in which the assets are placed in service.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Of the Small Business Administration loans outstanding, the Small Business Administration is contingently liable for $8,458,581 on loans totalling $7,807,909 as of December 31, 1982.

Loans receivable-IDB consist of Industrial Development Bonds which were purchased during 1981 and 1982. The bonds mature over a period of 15 to 20 years with principal and interest payments due monthly.

Note 2 - Contributions to reserve for possible loan losses are computed at 5.8% of the net loans receivable, exclusive of the SBA guarantees and participations. Use of this rate increased the allowance for bad debts from $103,250 in 1981 to $230,850 in 1982. The increase was recorded as an expense on the financial statements for the year ended December 31, 1982.

Note 3 - Real estate and building consist of property acquired through foreclosure proceedings initiated in 1982. The property is recorded at appraised value as of June, 1982, the date of acquisition, as follows:

Land	$ 3,000
Building	103,000
Total	$106,000

The property is currently leased to a tenant under a one year lease, renewed in February 1983, for $900 per month. Depreciation expense is being provided using the straight-line method over a 20 year estimated useful life. Total depreciation expense for 1982 was $2,575.

Note 4 - The total note payable carries an interest rate of 1/4% above Atlanta prime with the exception of the SBA loans which are at 8%. The interest rate charged varies from bank to bank according to their monthly interest charge. The SBA loan is at a constant rate of 8% for 15 years.

Note 5 - Deferred taxes result from the use of different methods of recognizing income and expense for book and tax purposes. The decrease in the current year is the result of the payment of an installment note during 1982.

Note 6 - The amounts in earned surplus are in accordance with the Code of Georgia which requires business development corporations to set apart 10% of their net earnings yearly until the surplus equals one-half of the amount of capital paid in. Funding for this account is as follows:

1982	$ 14,295
1981 and prior	30,074
	$ 44,369

This information should be read only in connection with the accompanying accountants' report.

COMPARISON OF ANNUAL RESULTS (000's Omitted)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Net Income	(1)	1	6	3	1	41	36	73	134	143
Earnings Per Share	(.04)	.01	.18	.08	.01	1.19	1.04	2.13	3.91	4.11
Return on Assets (%)	(.61)	.23	.94	.28	.06	2.18	1.59	1.87	2.11	1.84
Return on Equity (%)	(.61)	.30	1.75	.86	.29	11.04	8.76	15.69	23.57	20.09
Loans	-0-	485	727	1,424	1,781	1,999	2,433	5,347	7,335	10,456
*Loans Less SBA Gty. Sales	-0-	485	727	1,424	1,781	1,999	2,433	5,347	7,335	8,082
Net Worth	329	339	347	350	351	392	428	502	635	787

*1982 was the first year in which guaranteed portions of S.B.A. Loans were sold to secondary market investors.

ANALYSIS OF RESERVE FOR POSSIBLE LOAN LOSSES

(000's Omitted)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Amount of Reserve	0	3	11	43	89	86	77	84	103	231
Exposure (Non SBA)	0	485	727	1,424	1,781	1,720	1,548	1,682	2,064	3,980
% of Non SBA Exposure	0	.6	1.6	3	5	5	5	5	5	5.8
Contribution To Loan Loss Reserve	0	3	8	34	46	(3)	(9)	20	52	124
Charge Offs (Recoveries)	0	0	0	0	0	(2)	0	13	33	(4)

Note: The ending percentage is computed on the basis of loan exposure on the portion of loans and not participated to another financial institution and not guaranteed by a government agency.

PROVIDING FUNDS FOR GEORGIA'S ECONOMIC GROWTH

BACKGROUND AND PURPOSE

The Business Development Corporation of Georgia, Inc., is a privately owned and managed financial institution. It was incorporated May 2, 1973, pursuant to Georgia Laws 1972, p. 798. The superintendent of Banks has the responsibility of supervision of The Business Development Corporation of Georgia.

Capitalization is by sale of stock to banks, federal savings and loan associations, utilities, insurance companies, other financial institutions, and private citizens. The enabling legislation further provides that financial institutions may also be members and lend money to BDC. BDC does not independently seek to bring new business or industry into Georgia. These are functions of the Georgia Department of Industry and Trade, area planning commissions, utility companies, railroads, and the various Chambers of Commerce. BDC cooperates very closely with these groups and welcomes referrals made when financial assistance of the type that BDC can provide is needed.

Loans made by BDC are for the purpose of promoting, stimulating, developing and advancing business prosperity and economic welfare in the State of Georgia. These loans are of a nature or term not usually undertaken by other financial institutions and may involve greater risk, though a financial institution may buy a participation in a loan which it has referred to BDC. If the financial institution is unwilling to make the entire loan, inquiry should be made as to whether or not it would be interested in making a smaller and earlier maturity loan itself in support of BDC's longer maturity loan in a larger amount. BDC is not in competition with other financial institutions. It is designed to supplement and complement their lending activities. BDC will not pursue a loan until conventional financial institutions have had an opportunity to make the loan.

LOAN POLICIES AND REQUIREMENTS

ELIGIBLE BORROWERS AND PURPOSES: BDC shall make loans to businesses in Georgia, either for expansion of production or for sound new ventures, preferably in manufacturing or processing, which promote industrial growth, economic diversity and stability, increased employment, and the well-being of local communities in Georgia.

LENGTH OF TERM: Five to fifteen years, depending on collateral and circumstances.

INTEREST RATES: Rates will usually be based at a fixed percentage over prime and will float with prime.

AMOUNTS: $100,000 to $400,000 on a direct basis. Up to $4,000,000 using Government programs.

COLLATERAL REQUIREMENTS: Loans shall be secured and security will generally consist of real estate and/or other fixed assets. The BDC may also use assets such as inventory and accounts receivable. Personal guarantees are usually required and may also be secured.

FILING FEE: A one percent application fee based upon total loan is required with each application.

OPERATING PROCEDURES: When a loan is approved, a letter of commitment is prepared stating terms and conditions under which the loan has been approved. Only realistic terms and conditions will be imposed with the view of protecting the business as well as the lender.

GOVERNMENT APPROVED LOANS

BDC is approved by SBA and FmHA as a non-bank lender. An applicant eligible for a loan under these Federal guidelines may file an application with BDC.

WORKING WITH GEORGIA'S FINANCIAL INSTITUTIONS

Anyone may be a stockholder of BDC; however, only financial institutions are authorized to become members. "Financial institution" means any banking corporation or trust company, savings and loan association, insurance company or related corporation. "Member" means any financial institution authorized to do business within this State which shall undertake to lend money to BDC, upon its call, and in accordance with the provisions of Georgia Laws 1972, p. 798.
Loan limits of the various members are computed using formula contained in our enabling legislation as follows:

1. Five percent of capital stock, surplus, appropriated retained earnings and capital indebtedness of commercial banks and trust companies of $750,000, whichever is less.
2. One-half of one percent of total loans outstanding made by savings and loan associations, and building and loan associations.
3. Two and one-half percent of capital and unassigned surplus of Stock insurance companies, except fire insurance companies.
4. Two and one-half percent of unassigned surplus of mutual insurance companies, except fire insurance companies.
5. One-tenth of one percent of assets of fire insurance companies.
6. Such limits as may be approved by the board of directors of the corporation for other financial institutions.

Members may purchase common stock, in any amount, provided it does not exceed their respective loan limit. Members may be called upon, on a pro-rata basis, for loans not to exceed adjusted membership loan limits.
Loans from members shall bear interest based upon Atlanta prime rate plus one-quarter of one percent.

BDC is managed by a Board of Directors consisting of from 15 to 21 individuals elected annually by the members and stockholders. Policies and directives from the Board are carried out by an Executive Committee and a Loan Committee chosen by the Board.

FOR FURTHER INFORMATION, CONTACT:

Mike Johnson, Executive Vice President or
George Hodges, Vice President
The Business Development Corporation of Georgia, Inc.
558 South Omni International
Atlanta, Georgia 30303
(404) 577-5715

DIRECTORS

*Russell W. Boozer - Atlanta
Trust Company Bank - Atlanta

Valene Bennett - Alma
Alma Exchange Bank

*William T. Deyo, Jr. - Atlanta
The First National Bank of Atlanta

W. Milton Folds - Atlanta
Georgia Department of Industry and Trade

Karl Hill - Forsyth
Monroe County Bank

*William W. Huggins - Atlanta
Bank of the South, NA

Russell Ivie - Dahlonega
Bank of Dahlonega

J. Frank Jolly - Griffin
Commercial Bank and Trust Company

*Ralph King - Atlanta
First Georgia Bank

*Savage Lynah - Savannah
Savannah Bank and Trust

Glen W. Marshall - Ellijay
The Bank of Ellijay

L. W. "Chip" Robert - Atlanta
Robert and Company, Architects and Engineers

*Lee M. Sessions, Jr. - Atlanta
The Citizens and Southern National Bank

Joseph W. Sheppard - Dalton
First National Bank of Dalton

*J. W. Talley, Jr. - Atlanta
Georgia Power Company

Ken F. Thigpen - Dallas
The Citizens Bank

*Executive Committee Members

OFFICERS

William T. Deyo, Jr., President and Chairman
First National Bank of Atlanta

David M. Johnson, Executive Vice President
The Business Development Corp. of Ga., Inc.

Savage Lynah, First Vice President
Savannah Bank and Trust

George R. Hodges, Vice President, Secretary
The Business Development Corp. of Ga., Inc.

Paul Ferm, Treasurer
Citizens and Southern National Bank

James O. Bohannon, Assistant Treasurer
Georgia Department of Industry and Trade

Mariruth J. Fromant, Assistant Secretary
The Business Development Corp. of Ga., Inc.

William S. Jacobs, Assistant Secretary
Trotter, Smith and Jacobs

LOAN COMMITTEE

Gordon Bradl, Chairman
Bank of the South, NA

Robert Lamb
The Citizens and Southern National Bank

Thomas V. Miller
Trust Company Bank

David M. Johnson
The Business Development Corp. of Ga., Inc.

William Baker
The First National Bank of Atlanta

Warren Scoville
Commercial Bank and Trust, Griffin

Brent Baker
First Georgia Bank, Atlanta

STOCKHOLDERS-MEMBERS

Alma Exchange Bank
Athens Federal Savings & Loan Association
Atlanta Gas Light Company
Bank of Dahlonega
The Bank of Ellijay
Bank of Greensboro
The Citizens Bank (Dallas)
The Claxton Bank
Bank of the South, NA (Atlanta)
Citizens & Southern National Bank (Atlanta)
Citizens & Southern Bank of Albany
Citizens & Southern Bank of Dublin
Citizens & Southern Newnan Bank
Citizens & Southern Bank of Thomaston
Citizens & Southern Bank of Tifton
Citizens & Southern Bank of West Georgia
Columbus Bank & Trust Company
Commercial Bank & Trust Company (Griffin)
The Exchange Bank (Douglas)
First American Bank of Walton (Monroe)
First Georgia Bank (Atlanta)
The First National Bank of Atlanta
The First National Bank of Dalton
Georgia Power Company
Georgia Railroad Bank & Trust (Augusta)
Monroe County Bank (Forsyth)
Moultrie National Bank
The Peoples Bank of Lyons
Peoples State Bank (Baxley)
Robert and Company
Savannah Bank & Trust Company of Savannah
Southern Bell Telephone Company
Trust Company of Georgia

Senator NUNN. Theoretically, if unlimited funds were available, which of course they are not and will not be, but if they were, how many Federal dollars could your own operation put to good use in Georgia, say, over the next 5 years?

Mr. JOHNSON. Well, we did $4.1 million in new loan investments in 1982, and we have done about $3 to $3.5 million in each of the prior 2 years. We are projecting that we will do $4.3 million, $4.7 million, and $5.3 million in the next 3 years. We could extend that to, say, over $5 million for the 2 years after that.

Because of the fact that we are currently out of member lines and will soon be out of SBA guarantees that we can market to investors as participations, we could probably use $3 to $5 million each year.

Senator NUNN. How much?

Mr. JOHNSON. $3 to $5 million, depending on our loan investment demand. But, based on our projections, I would say it would start at $4 million and go up over $5 million during the 5-year period.

Senator NUNN. That is the delta? That is the increase in what you could use?

Mr. JOHNSON. Yes.

Senator NUNN. $3 to $5 million above what you plan to use now?

Mr. JOHNSON. Right.

Senator NUNN. Are you talking about all Federal money, $3 to $5 million from the Federal Government?

Mr. JOHNSON. Well, that is what we could use. We have no other sources of money at the present.

Senator NUNN. And how many jobs would that create, according to your arithmetic?

Mr. JOHNSON. It will create 150 in 1983, based on those same assumptions; 162 in 1984; and 182 in 1985; and probably around 190 in 1986, 200 in 1987.

Senator NUNN. Now, these are permanent jobs?

Mr. JOHNSON. Brand new, direct, created permanent jobs, not jobs created because a construction project is going on but because a plant is being financed.

Senator NUNN. You do not count the construction jobs in those totals? You are talking about the permanent jobs, aren't you?

Mr. JOHNSON. We are talking about the manufacturing jobs. And I might add that where you create 12 jobs by putting a plant or expanding a plant capacity, you probably create more jobs than that, if you want to look at it, but what we have always looked at is countable, direct, identifiable jobs in the plant we are financing as a result of closing the investment.

Senator NUNN. Do you have any way to gauge how many of these loans will not be made unless you get money from the Federal Government? Let's assume nothing happens and you don't get any money at all. A certain percentage of these loans will probably be made from other sources, will they not?

Mr. JOHNSON. Well, they might be made in other structures which are not as favorable. Some will not be made at all. My guess would be that approximately half of them would not be made, and the other half would be made in shorter term loans which would put pressure on the manufacturing concerns and cause them to run out of funding again earlier than they would have otherwise.

Senator NUNN. Less chance of success even for those 50 percent that would be funded?

Mr. JOHNSON. Right. It is more likely that the jobs created would then be lost.

Senator NUNN. I don't know whether we interrupted your final conclusion here or not. Did you get through?

Mr. JOHNSON. I am through.

Senator NUNN. All right.

The bottom line is that you endorse S. 745, right?

Mr. JOHNSON. Wholeheartedly.

Senator NUNN. Thank you very much. We appreciate it.

Mr. JOHNSON. Thank you.

Senator NUNN. You can all remain, if you have time, and then I will have some questions for the panel at the end.

Why don't we go to Lee Sessions next, and then we will move away from Georgia.

STATEMENT OF LEE M. SESSIONS, JR., SENIOR VICE PRESIDENT, STRATEGIC PLANNING GROUP, THE CITIZENS AND SOUTHERN NATIONAL BANK

Mr. SESSIONS. Thank you, Mr. Chairman.

I am a senior vice president of The Citizens and Southern National Bank, headquartered in Atlanta, Ga., and have the responsibility for strategic planning in our organization. C&S is the largest bank in Georgia and has offices throughout the State.

I am testifying today due to my long-term relationship with The Business Development Corporation of Georgia, dating back to my election to the board of directors and to the executive committee in 1977. My service has also included serving as chairman of the board and president of the Corporation.

C&S holds the largest investment in BDC, having approximately 22 percent of the common stock and approximately $1.5 million in line commitments.

We have always felt that The Business Development Corporation of Georgia represented an excellent blend of private investment and management expertise, accompanied and supported by the funding provision of section 501 of the Small Business Investment Act of 1958.

In fact, when the original idea for the formation of a State Development Company was being considered by the then-Governor, Jimmy Carter, and the Georgia Department of Industry and Trade, the most important consideration was that it be privately owned and managed but have the advantage of making the private investment more effective by having a certain amount of public funds available to supplement private investment as investments are made.

When the idea was presented to the members of the banking community, the Citizens and Southern National Bank was one of the earliest and strongest supporters.

The banking community supported the formation of BDC by committing approximately $9 million in stock subscriptions and member lines during its formation in 1973. There were also four

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nonbank stockholders who committed to provide equity capital but no member lines, since they are not financial institutions.

The number of stockholder/member institutions has grown since the formation period and now numbers 34, indicating a continuing growth in the base of support for the State Development Company vehicle.

Enabling legislation in Georgia prohibits the BDC from competing with any conventional lending institution for investments. Still, the investment portfolio has grown in the last 10 years to $12 million. The reasons for these unfilled loan needs are varied but primarily fall into three categories:

One, loans that are for maturities in excess of general bank policies for loans of that type;

Two, loans in market areas that exceed the lending capacity of the local financial institutions; and

Three, loans for purposes and structures that offer higher degrees of risk, such as venture capital-type investment in small businesses, and where the management of the BDC is more experienced in handling investments of this type.

It is our belief that the community need is apparent from the growth of investments and relative success of the company over the few short years that it has been in business, and from the fact that small communities have benefited from the availability of long-term capital-type debt provided by this privately owned and managed industrial development source.

Another important consideration is that these loans are to small businesses starting out or experiencing growth, and small business growth has been a foundation of our country and can be a continued stimulus in our economic recovery.

The BDC of Georgia took advantage of the 501 direct loan by borrowing $1 million in 1980, which was all that the southeastern region of the SBA could allocate to 501 in that year. Since this time, funds have been unavailable to the region for the 501 program, verified by several attempts on our behalf to submit application for these funds.

I also feel that this is not a replacement or competing source of industrial development funding to the newer 503 programs, but instead, would be a capable and allied partnership. This theory is further advanced by the fact that the staffs of several 501's have formed affiliated organizations licensed as 503's and operate them simultaneously with no conflicts of interest.

Furthermore, there are limitations placed on 503 participation that would not exist in the 501 program. We therefore believe that the 501 program is a very worthwhile and beneficial program to maintain, and promote, as a tool of the future in small business industrial development lending.

Senator NUNN. What kinds of loans do you visualize 501's making that will not be made by 503's, and vice versa?

Mr. SESSIONS. Senator, that would be very difficult for me to answer. I think Mike could do a better job of answering that.

Senator NUNN. Mike, why don't you answer that, then?

Mr. JOHNSON. The main thrust in the difference in the type of investment would be those where the loan might go for a purpose other than strictly plant acquisition, expansion, leasehold improve-

ments, and so forth; where a company needs to use its plant, equipment, and working capital assets all in conjunction with one financing; or where the terms and the structure of the loan have to be tailored to the needs of the individual concern. The BDC 501 program can tailormake the loan package to the concern.

I am not operating in the 503 area, but it is my understanding that their financings are for plant and equipment combinations, financing acquisition, or expansion strictly for the fixed assets, and in a limited fashion; in other words, it has to have some fairly well defined terms of payment. They cannot be as tailored.

Senator NUNN. You have more flexibility in 501?

Mr. JOHNSON. We have all the flexibility that there is, really. And so we take it case by case.

Mr. SESSIONS. Based on a review of the recent loan activity for the past 3 years and projections by the staff for the future, it appears the BDC would be a user of alternative sources of funds, such as the one that would be provided by S. 745 in the approximate amount of $3 million to $5 million per year.

The BDC of Georgia is presently within $2 million of exhausting its lines of credit from members, and the volume will exceed the line funding during 1983 if projections are met.

We strongly recommend and support the passage of S. 745, which would create the authorization for the issuance of debentures for State development companies to rectify a funding problem that currently exists under the 501 program and would provide access to funding by way of the same type of debenture program provided to 503 companies under the Small Business Investment Act of 1958, as amended.

Senator, we appreciate the opportunity to appear today.

[The prepared statement of Mr. Sessions follows:]

Testimony Before the

Senate Small Business Committee

by

Lee M. Sessions, Jr.

Senior Vice President

Strategic Planning Group

The Citizens and Southern National Bank

April 13, 1983

I am a Senior Vice President of The Citizens and Southern National Bank, headquartered in Atlanta, Ga., and have the responsibility for Strategic Planning in my organization. The Citizens and Southern is the largest Bank in Georgia and has offices in most every part of the State.

I am testifying before this committee because of my long term relationship with The Business Development Corporation of Georgia, Inc. dating back to my election to the Board of Directors and to the Executive Committee in 1977 and recently ending with my replacement on that Board by a fellow C and S Officer on March 17, 1983. My service included serving as Chairman of the Board and President of the Corporation in 1981. My employer holds the largest investment having approximately 22% of the common stock and $1,482,500 in line commitments.

I have always felt that The Business Development Corporation of Georgia, Inc. represented an excellent blend of private investment and management expertise accompanied and supported by the funding provision of Section 501 of the Small Business Investment Act of 1958. In fact, when the original idea for the formation of a State Development Company was being considered by the then Governor, Jimmy Carter, and the Georgia Department of

Industry and Trade the most important consideration was that it be privately owned and managed but have the advantage of making the private investment more effective by making a certain amount of public funds available to supplement private investment as investments are made. When the idea was presented to the members of the banking community, The Citizens and Southern National Bank was one of the earliest and strongest supporters.

The Banking Community supported the formation of The BDC of Ga. by committing approximately 9.0 million dollars in stock subscriptions and member lines during its formation in 1973. There were also four non bank stockholders who committed to provide equity capital but no member lines, since they are not financial institutions. The number of Stockholder/Member institutions has grown since the formation period and now numbers thirty-four, indicating a continuing growth in the base of support for the State Development Company vehicle.

The enabling legislation in Georgia prohibits The BDC of Georgia from competing with any conventional lending institution for investments. Still the investment portfolio of The BDC has grown in ten years from 0 to $12.0 million. The reasons for these unfilled loan needs are varied, but primarily they fall into the following categories:

1. Loans that are for maturities in excess of general bank policies for loans of that type.

2. Loans in market areas that exceed the lending limitations of the local financial institutions.

3. Loans for purposes and structures that offer higher degrees of risk, such as, venture capital type investment in small businesses and where the the management of The BDC is more experienced in handling investments of this type.

It is my belief that the community need is apparent from the growth in investments and relative success of the company over the few short years that it has been in business and from the fact that small communities have benefitted from the availability of long term capital type debt provided by this privately owned and managed industrial development source.

The BDC of Ga. took advantage of the 501 direct loan by borrowing 1.0 million dollars in 1980, which was all that the southeastern region of SBA could allocate to 501 during 1980. Since this time, funds have been unavailable to the Region for the 501 program verified by several attempts to submit an appplication for the funds.

I also feel that this is not a replacement or competing source of industrial development funding to the newer 503 program, but instead would be a capable and allied partnership. This theory is further advanced by the fact that the staffs of several 501's have formed affiliated organizations licensed as 503's and operate them simultaneously with no conflict of interests. Furthermore, there are limitations placed on 503 participation that would not exist in the 501 program. I therefore believe that the 501 program is a very worthwhile and beneficial program to maintain and promote as a tool of the future in small business industrial development lending.

I have recently had the occasion to review the recent loan activity history for the past three years and the projections provided by the staff of The BDC of Georgia for the coming three years. Based on what information is available and the best and most reliable information about the expected demand for loan investments in the future, it appears that The BDC of Ca. would be a user of an alternative source of funds such as the one that would be provided by S. 745 in the approximate amount of $3.0 million per year. The BDC of Ga. is presently within $2.0 million of exhausting its lines of credit from members and the volume will exceed the line funding during 1983 if projections are met.

I strongly recommend and support the passage of S. 745 which would create the authorization for the issuance of debentures for State Development Companies to rectify a funding problem that currently exists under the 501 program and would provide access to funding by way of the same type of debenture program provided to 503 companies under the Small Business Investment Act of 1958, as amended.

Mr. SESSIONS. I would like to parenthetically add, in response to one of your questions to Mr. Johnson earlier about financial institutions and what they got out of it, it has been our experience, being the State's largest financial institution, that very small financial institutions in Georgia benefit greatly by having the expertise of BDC there to make loans in their communities on a longer term nature than they presently have the capacity to do so, and I think that is one of the strongest advantages that it does serve.

Senator NUNN. Does that include branch banks that C&S owns? Do they reach a limit of that capacity. Couldn't they simply kick those upstairs to the larger banks?

Mr. SESSIONS. In a situation like our own, obviously, the capacity would be there, but in our correspondent banks, in the local community-owned banks in the State, primarily what I am referring to, those are the ones that do not make 15-year loans generally; those are the ones that do not have the capacity to make $3, $4, and $5 million loans, and if they do not have that capacity, the small business cannot come to that town, create the new jobs, and create the economic development that is so vitally needed in those areas.

Senator NUNN. As an officer of C&S bank, a large bank in the Southeast, do you see any conflict between either the 501 or the 503 program, and the free enterprise banking system?

Mr. SESSIONS. Senator, we do not. We think it aids terrifically in the growth of the State. The BDC has worked with financial institutions, the State of Georgia, and the local areas throughout the State in bringing industry, trade, and small business development, and I see it as a very complementary program, not at all in conflict.

Senator NUNN. Mr. Johnson, does your corporation get any money from the State of Georgia? Was there any seed money going into it at all, or State funds?

Mr. JOHNSON. No.

Senator NUNN. There never has been any State money involved?

Mr. JOHNSON. No, sir.

Senator NUNN. But it was created under State law?

Mr. JOHNSON. Right; it was created so that we could qualify under section 501.

Senator NUNN. But you did not qualify for 6 years, is that right?

Mr. JOHNSON. We qualified, but——

Senator NUNN. But you didn't get any Federal money for 6 years.

Mr. JOHNSON [continuing]. We did not qualify to actually borrow the money, but we qualified as a 501 company.

Senator NUNN. What is the advantage of qualifying as a 501 company when you don't get any money?

Mr. JOHNSON. We anticipated getting some, and we ultimately did.

Senator NUNN. But you operated for 5 years, reasonably successfully, with no Federal money, right?

Mr. JOHNSON. We were using up our member line commitments first, local private enterprise.

Senator NUNN. Would your corporation, the BDC, be able to exist without Federal funds? Or would it be worthwhile if there were never any Federal money put into it at all?

Mr. JOHNSON. I am afraid we would be in a holding pattern unless we could think of some other way to do it, which we have not thought of yet.

Senator NUNN. You went pretty well there for 5 years just with your member subscriptions.

Mr. JOHNSON. We are up to the limit, statutory limit, on those now. See, we were not at the limit until recently.

Senator NUNN. Why would there be a statutory limit, though? I mean, why wouldn't the State of Georgia be willing to increase that statutory limit?

Mr. JOHNSON. They might be willing to. We would have to go to the legislature and actually have a bill sent through the State legislature to change that.

Senator NUNN. Lee Sessions could move one through like that quickly, with all his influence. [Laughter.]

Mr. JOHNSON. It might take us 1 or 2 years, but we might have to try that.

Senator NUNN. Would that be an option? I mean, even combined with Federal money if it were available?

Mr. JOHNSON. Well, it is something that we have discussed, and I think it would be difficult.

Senator NUNN. Why? What would be the opposition?

Mr. JOHNSON. We are already getting 5 percent of the statutory capital base of these banks, limited to $750,000. Now, the banks limited to $750,000, the very large banks, it comes to less than 1 percent of their statutory capital base. The statutory capital base is common stock and undivided surplus, but not——

Senator NUNN. But you have a lot more banks that could participate without going back to the ones you already have, don't you?

Mr. JOHNSON. Well, we could bring in new members, which we are actively trying to do, and we are being successful, but not in the numbers that would be sufficient to supply the funds we need. And recruiting new members takes an awful lot of staff time, where that staff time is trained and is put in place to take applications for investments.

Now, recruiting of new members we figure is probably an inefficient use of staff time, although we try to attract members on an ongoing basis.

Senator NUNN. Thank you very much. If both of you have a few more minutes and could remain, we may have other questions when everybody gets through.

Mr. Childe?

STATEMENT OF JAMES H. CHILDE, PRESIDENT, NATIONAL ASSOCIATION OF BUSINESS DEVELOPMENT CORPORATIONS

Mr. CHILDE. Thank you, Senator Nunn.

My name is Jim Childe, and I am president of the National Association of Business Development Corporations, appearing in support of S. 745, which would provide debentures for State development companies.

The National Association of Business Development Corporations is the collective expression of 26 business development corporations from throughout the country, New England to California, Washington to Florida.

Business development corporations—or, as we have referred to them, and I will continue to refer to them—BDC's are for-profit companies created by private enterprise to assist in the economic development of their respective areas.

Most BDC's are organized along the lines of having stockholders who have provided initial capital and member financial institutions who provide continuing loan funds. We, in effect, borrow a prorata share from our member financial institutions and loan it to deserving small businesses. This is all done under the sponsorship and supervision of a private sector board of directors.

The reason for the existence of BDC's is that there are many loan situations that have potential benefits in that they will provide job opportunities and enhance local tax bases. However, a local financial institution may not feel that they can take on the whole proposal totally within the institution. Therefore, they may turn to a business development corporation for assistance.

The normal method of doing business in a BDC context is that the BDC will monetarily participate or purchase a percentage—say, 80 percent—of the local institution's remainder. Thus, the local financial institution feels more comfortable with its involvement in what may now be regarded as a positive credit situation for everyone.

One, the local financial institution has created a leveraged credit situation for its customer as well as, two, diffusing the risk among several BDC member financial institutions.

Third, the company benefits in that a loan has been made that might not have been made without the BDC participation.

Fourth, the BDC, if carefully managed and operated, has contributed to building its own income so that profits can be used to replicate this same situation in the future.

The Small Business Investment Act of 1958 contained a provision in section 501 that recognized the worth of this unique approach and authorized SBA to make direct loans to the individual BDC's. In the years since, according to the best available data, the BDC's have borrowed somewhere around $42 million from SBA. With that, BDC's were able to make some 300 additional loans, coupled with $50 million private money included, and create or sustain more than 8,000 jobs.

There are many BDC's that would like to continue this relationship under 501, but we are told that the direct moneys are not available. Therefore, we support the idea of allowing BDC's to also participate in the debenture market, a concept that has been proven successful in the 503 Certified Development Company approach to financing.

The passage and implementation of S. 745 will allow BDC's, as proven partners in the development arena, access to an alternative financing source with the Small Business Administration. The SBA will be able to purchase or guarantee debentures issued by the various BDC's. This would allow us to once again have access to the

financial market in order to supplement what our member financial institutions have already committed themselves to.

This proposal can be funded within the context of the present budget. There is a provision that authorizes $350 million for these types of debentures, which we also support. Our members anticipate that they would be able to use $12 million to $15 million of guaranteed debentures during the first year of availability.

For the above reasons, the National Association of Business Development Corporations urges your positive consideration of S. 745.

[The prepared statement of Mr. Childe follows:]

national association
of business development corporations
suite 1044 stuart building lincoln, nebraska 68508 402/474-3855

STATEMENT OF

JAMES H. CHILDE
PRESIDENT
NATIONAL ASSOCIATION OF BUSINESS DEVELOPMENT CORPORATIONS

BEFORE THE

SENATE SMALL BUSINESS COMMITTEE

ON

S. 745 - "Small Business Administration
State Development Company Program Amendments of 1983"

April 13, 1983

MR. CHAIRMAN AND MEMBERS OF THIS COMMITTEE:

My name is Jim Childe and I am President of the National Association of Business Development Corporations, appearing in support of S. 745, which would provide debentures for State development companies.

The National Association of Business Development Corporations is the collective expression of 26 Business Development Corporations from throughout the country, New York to California, Washington to Florida.

Business Development Corporations (BDCs) are for-profit companies created by private enterprise to assist in the economic development of their respective areas.

Most BDCs are organized along the lines of having stockholders who have provided initial capital and member financial institutions who provide continuing loan funds. We in effect borrow a pro-rata share from our member financial institutions and loan it to deserving small businesses. This is all done under the sponsorship and supervision of a private sector Board of Directors.

The reason for the existence of BDCs is that there are many loan situations that have potential benefits in that they will provide job opportunities and enhance local economic tax bases. However, a local financial institution may not feel that

they can take on the whole proposal totally within the institution. Therefore, they may turn to a Business Development Corporation for assistance. The normal method of doing business in a BDC context is that the BDC will monetarily participate or purchase a percentage, say 80%, to the local institution's remainder. Thus, the local financial institution feels more comfortable with its involvement in what may now be regarded as a positive credit situation for everyone!

One, the local financial institution has created a leveraged credit situation for its customer as well as, two, diffusing the risk among several BDC member financial institutions. Thirdly, the Company benefits in that a loan has been made that might not have been made without the BDC participation. Fourth, the BDC, if carefully managed and operated, has contributed to building its own income so that profits can be used to replicate this same situation in the future.

The Small Business Investment Act of 1958 contained a provision in Section 501 that recognized the worth of this unique approach and authorized SBA to make direct loans to the individual BDCs. In the years since, according to the best available data, the BDCs have borrowed somewhere around $42 million from SBA. With that, BDCs were able to make some 300 additional loans coupled with $50 million private dollars inlcuded, and create or sustain more than 8,000 jobs.

There are many BDCs that would like to continue this relationship under 501, but we are told that the direct monies are not available. Therefore, we support the idea of allowing BDCs to also participate in the debenture market, a concept that has proven successful in the 503 Certified Development Company approach to financing.

The passage and implementation of S. 745 will allow BDCs, as proven partners in the development arena, access to an alternative financing source with the Small Business Administration. The SBA will be able to purchase or guarantee debentures issued by the various BDCs. This would allow us to once again have access to the financial market in order to supplement what our member financial institutions have already committed themselves to.

This proposal can be funded within the context of the present budget. There is a provision that authorizes $350 million for these types of debentures which we also support. Our members anticipate that they would be able to use $12-15 million of guaranteed debentures during the first year of availability.

For the above reasons, therefore, Mr. Chairman and Members of the Committee, the National Association of Business Development Corporations urges your positive consideration of S. 745.

Thank you.

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Senator NUNN. Thank you very much. We appreciate your being here.

Why don't we go to Mr. Bert, and then we will come back with questions.

STATEMENT OF KENDALL BERT, EXECUTIVE DIRECTOR, TUCSON LOCAL DEVELOPMENT CORP., AND PRESIDENT, NATIONAL ASSOCIATION OF DEVELOPMENT COMPANIES

Mr. BERT. Thank you, Senator Nunn.

I have a prepared statement which has been submitted. With your permission, I will deviate from that and briefly summarize the statement, because I know time is short.

Senator NUNN. That will be fine.

Mr. BERT. I am executive director of the Tucson Local Development Corp., which is a certified 503 development company. I am also president of the National Association of Development Companies, which is a trade association of 503 CDC's across the country.

We currently have over 120 members. We estimate that our members do probably 60, 70, 80 percent of all the projects under 503. We have as our members the high-volume 503 development companies.

Beyond that, I would like to provide comments this morning in two basic areas. The first concerns some technical issues, changes we have asked for in the 503 program. These changes relate to problems that those of us who are actually putting 503 loans together at the grassroots level are running into.

We have a list of 37 to 40 items that we have asked to be changed. We are making some real progress in that, in negotiating with SBA. A number of those changes are supposed to be announced this Friday.

There are still a number of issues, though, that we have not been able to make progress on; specifically, the alter-ego issue, which seriously restricts a number of our loans across the country.

There is also a problem, or has been a problem, in dealing with tax-exempt issues. We were not allowed to go subordinate 503 loans to IRB's up until just very recently when the jobs bill modified that prohibition. We do now have that capacity, and we are very pleased that both the Senate and the House saw fit to provide for that change and also that SBA, just last week, issued a letter to the district offices implementing the provision. We are very pleased with the very quick response time from SBA because it is a serious issue that we have been dealing with in the field and one that stymied us on many projects. We are anxious to start doing IRB/503 financing, and I think you will see a large increase in the volume of 503 deals across the country.

There is also currently a $500,000 ceiling on our participation in any project. We feel given inflation rates and the cost of doing business today, that what we really should be looking at is more like a $750,000 or greater limit in any particular project. This is another change that is vitally needed to allow us to participate in larger projects.

Senator NUNN. That would take legislation, would it not?

Mr. BERT. It is my understanding that it would.

Another area that we have been dealing with SBA on is the definition of economic development. Currently, there is a requirement that we show one job for every $15,000 of debenture we put into the project. There are a number of projects where firms are reindustrializing, that is, trying to purchase and install heavy capital equipment, where we cannot meet that requirement because, basically, what we are doing is saving jobs. Trying to identify how many jobs are retained, or saved, becomes a very difficult process. In some areas, SBA has just said they simply will not even deal with retained jobs; they won't even count them.

So you may have some firms that are trying to compete with other international firms, where they are trying to add heavy equipment, where there may be absolutely no job creation, in the short term, but in the long term we are not only protecting jobs but we are putting the company—and this country, for that matter—into a better position to compete.

Those projects right now are stymied. That is an area that we really need to be able to open up and deal with. What we are looking for is a more generalized definition, of economic development for the 503 program versus a dollars-per-job criteria.

Another example where difficulty may arise in meeting the $15,000-per-job criteria is when a local community is trying to diversify its economic base. It may be very important to encourage the expansion of a certain firm in order to diversify the economic base, and yet the jobs criteria may not be exactly met.

I think we are doing an excellent job across the country in meeting the $15,000-per-job requirement. However, when that criterion is placed in the SBA's standard operating procedure, what happens in the field oftentimes is that it is viewed as the law and any project that does not meet it is thrown out.

The overall result is that these technical issues—alter ego, the $500,000 loan limit, the definition of economic development, and others that I will not go into detail here—are really creating bottlenecks that prevent the 503 CDC's from utilizing the funding which has been provided for the 503 program.

The recent change in the jobs bill allowing us to subordinate 503 loans to IRB's, has removed one important roadblock/bottleneck.

If we can get a change in the alter ego restriction, an increase of the loan ceiling to $750,000, or more, and a better definition of economic development, I think we will see a very dramatic increase in the volume.

If you will look, we have not used our full authorization in fiscal year 1982, nor do we feel that we will use the entire amount in 1983, but let me give you a couple of numbers very quickly.

Up through the first of this year, the 503 program volume was about $8 to $10 million per month in debentures. In February and March, that has now jumped to over $20 million per month. We expect now with the IRB change that we will probably be, in the next quarter, up to about $30 million per month and probably growing to more like $40 million per month in the latter part of the Federal fiscal year.

[The prepared statement of Mr. Bert follows:]

NADCO

Serving The Nation's Certified Development Companies

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FOUNDING CHAIRMAN

Samuel J. Bissell

April 13, 1983

SENATE SMALL BUSINESS COMMITTEE

U. S. Senate

Washington, D.C. 20416

I. INTRODUCTION

We are submitting testimony from the National Association of Development Companies (NADCO) the professional trade association organized to represent the Section 503 Certified Development Companies (CDCs) in Washington. Our statement will be in four parts: this introduction, an update on the 503 program, some comments on the need for expansion capital for small businesses and some final comments on funding levels for the 503 program.

NADCO is a membership organization of Section 503 CDCs with elected directors from each of the federal regions. I am President of NADCO and am also Executive Director of the Tucson Local Development Corporation in Tucson, Arizona.

NADCO currently has 120 active member CDCs plus an additional 8 associate or affiliate members — bankers, law firms, etc. — or new groups thinking of becoming CDCs. The NADCO members tend to be the larger more active groups and the last time we checked, NADCO members were responsible for 60 to 70% of the loan volume of the 503 program.

NADCO has vice presidents and active committees in four areas — administration, membership, technical issues, and congressional relations.

NADCO's second annual membership meeting is here in Washington at the Capitol Hill Quality Inn — coincidentally starting today, April 13 to Friday April 15. A copy of the Conference brochure is attached and it includes a Congressional Reception the evening of Thursday, April 14 to which all the members and staff of this Committee are invited.

1050 - 17th Street, N.W. · Suite 900 · Washington, D.C. 20036 · 202/296-6212

II. 503 UPDATE

According to the latest information we have, there were 378 Certified Development Companies as of March 25. Forty-eight states are represented, and the CDCs represent an interesting mix of statewide versus local, independent versus affiliated, government versus private sector, etc.

The volume of approved loans grew very slowly at first, but increased substantially to $23 million in February from an average level of $8 or $10 million per month in the preceding months. It remains to be seen whether this increase will sustain.

I would like to quote you the numbers for jobs created during this period of record high unemployment, however, the statistics are unclear pertaining to jobs created versus jobs retained. However, the statistics show 970 loan approvals, totaling $177.2 million dollars since the beginning of the program which, at 40% of project cost represents between $450 - $500 million of investment in growing profitable small businesses — which is a dramatic contribution to what the economy needs most of all, capital investment by growing profitable small and medium sized businesses.

III. EXPANSION CAPITAL FOR SMALL BUSINESS

I won't take the time to comment on unemployment, stagnating business investment and the need for measures to stimulate job creation in small business, but I would like to comment on the difference between 503 types of projects, projects funded by our close friends in the Small Business Investment Company (SBIC) program and projects funded in the highly publicized business of venture capital.

Perhaps a diagram will help which is enclosed. Please refer to exhibit A which is supposed to be a pyramid representing the total universe of small business financing possibilities. Please note that the top tier represents venture capital opportunities — the cream of the crop. These are mostly high-tech start-up businesses. There are relatively very few potential investments in number and very high potential gains for investors, very risky but also potentially very profitable. This top sector is the domain of totally private venture capitalists.

The next tier is labeled risk capital. Obviously this is an over simplification; but this represents a greater variety of projects that are in part financed by small business investment companies, in many cases banks and other sources of investment. These projects typically are expansion and start-ups and are not as risky as the tier of venture capital projects.

The third tier, which by far is the largest, is labeled expansion financing. This is the domain of the 503 program. These are the existing businesses that mostly do not have prospects for the extraordinary growth necessary to interest venture capitalists and most SBICs are not interested in long-term fixed asset financing. There are many more potential 503 projects than in the other categories.

The small business associations, such as the National Small Business Association and the National Federation of Independent Businesses, say that their members do not benefit from the venture capital industry or even SBICs. Their members are mostly existing businesses seeking capital for expansion. The 503 program

can help this far greater number of businesses however, as evidenced by its widespread application and rapid growth in communities across the country.

Again, this is an over simplification but it has proved helpful in other presentations. It also stresses the incredible importance of the 503 program in impacting a large number of small businesses and the most important issue now facing us, the creation of permanent private sector jobs.

IV. FUNDING LEVELS

To quote the old cliche "We are between a rock and a hard place" on funding levels for the 503 program. The CDCs did not fully use the money allocated for them in Fiscal Year 1982, and it is problematical whether they will hit it in Fiscal 1983. Consequently, NADCO's request for additional funding might appear unsubstantiated.

The problem however, is that we are told by SBA officials that they will support certain requested and much needed technical changes such as permitting 503 debentures to be subordinate to industrial development bonds, shortening the permissible average debenture maturity to 10 years, relaxation of the alter-ego rule, relaxation of the definition of economic development, and others because these changes might spur loan demand and cause it to exceed the appropriated levels. The alter-ego rules and the definition of economic development are especially thorny problems for our members. Thus, we are damned if we do and damned if we don't. We aren't fully using what the Congress has allocated to us, and SBA won't permit the necessary changes to permit loan volume to grow.

If this government is serious about helping people who are unemployed, and if policies to create permanent jobs in growing small businesses are more favorable than welfare, unemployment compensation, make-work jobs in public employment, etc. then we need both the increased funding levels and the leadership on these technical issues that I have mentioned, but which I will not dwell on at this point now.

Consequently, NADCO is strongly recommending both the increased funding levels currently before the Congress and the Administration and relaxation of the minor technical issues that have been previously submitted.

We appreciate this opportunity to present the views of NADCO before this Committee.

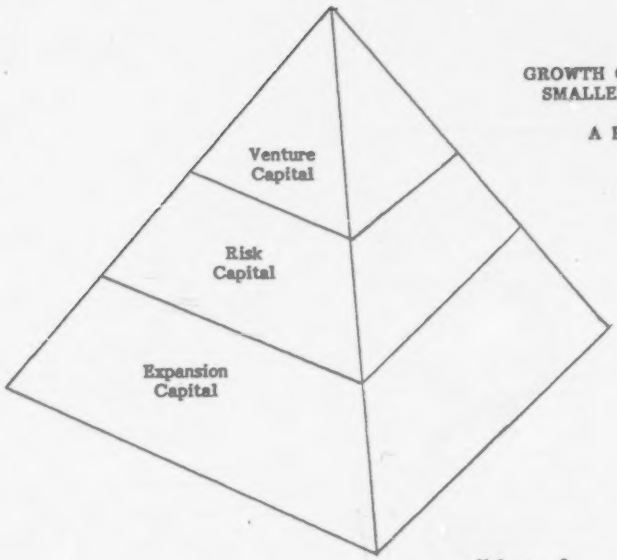
Enclosures:

- NADCO Brochure
- NADCO Annual Conference Brochure

EXHIBIT A

GROWTH CAPITAL FOR SMALLER BUSINESS

A Pyramid



GROWTH CAPITAL FOR SMALLER BUSINESS

A Pyramid

Tier	Risk	Reward	Volume of Business	Private or Public $
Venture Capital	Very High	Very High	Very Few	Totally Private
Risk Capital	Moderate	Moderate	Moderate	Mostly Private
Expansion Capital	Low	Low	Very Many	Public/Private

NADCO

Serving The Nation's Certified Development Companies

Introduction

The National Association of Development Companies (NADCO) has been organized to represent the SBA Section 503 Certified Development Companies (CDCs) in Washington.

Many types of groups have associations to represent their interests—to be on the spot in Washington representing the members in negotiations with SBA officials, senators, congressmen, congressional committees and others.

The National Association of Development Companies is performing this function for Section 503 Certified Development Companies in order to assure their maximum effectiveness in creating private sector jobs in the American economy by providing long-term financing to small and medium-sized businesses.

Section 503 Background

The Section 503 program was signed by the President in the summer of 1980. The program is administered in the office of the Associate Administrator for Financial Assistance at SBA in Washington. Over 300 development corporations have been officially certified.

Purpose

The purpose of the National Association of Development Companies is to:

Represent its membership in negotiations with SBA officials.

Represent its membership in negotiations with senators, congressmen, and congressional staff members—particularly those with the congressional committees that affect the Section 503 program.

Represent its membership in negotiating changes in legislation, regulations, operating procedures, and other matters—such as the use of Section 503 funding on projects with tax exempt financing, funding levels for future years, loan servicing procedures, prepayment problems, reporting requirements, etc.

Assist its membership with other issues relating to the 503 program—such as special training programs, marketing techniques, audit checklists, technical issues and loan closing and processing procedures.

Organization

NADCO is a membership organization. Policy is made by the Board of Directors, working through four standing committees—Administration, Membership, Congressional Relations and Technical Issues. The Board includes a representative from each of the Small Business Administration's ten federal regions, and is elected by the membership at its annual meeting in the spring. The Association maintains an administrative staff in Washington to assist the membership on specific issues of concern to their CDC's and the 503 program as a whole.

NADCO's membership are the more active and successful CDCs that are responsible for over 60% of the total volume of Section 503 loan approvals.

Dues/Budget

Annual membership dues for CDCs are $250 or 0.1% of debentures closed, whichever is higher—up to a maximum of $750 per year. Two other types of membership are available—Associate, which is open to prospective CDCs, and Affiliate, which is open to all others interested in the 503 program.

Reasons For Membership

There are several important reasons for joining NADCO:

Small Business Development Financing—The 503 program is the best available tool to fill the "long-term loan gap" for small and medium-sized businesses—the main source of new job creation in the economy, both in distressed areas and nationwide.

Strength Through Diversity—Section 503 Development Corporations are being supported by a wide range of groups and organizations including: (1) public bodies such as cities, counties and states; (2) non-profit organizations such as chambers of commerce, neighborhood organizations and minority enterprise groups; and (3) private interests such as bankers, realtors, accountants and lawyers.

Lobbying—NADCO actively represents the 503 membership in negotiations with government officials in Washington—both at SBA and on Capitol Hill.

Revenue—Section 503 CDCs are allowed to charge fees for projects they finance. This is perhaps the only new source of funding for local economic development.

NADCO Services To Members

NADCO Active Members are entitled to:

- Periodic newsletters on developments in the 503 program
- Periodic mailings of special information about the 503 program
- Voting membership in NADCO
- Special Washington, D.C. staff assistance with technical problems or issues affecting the 503 program
- Reduced rates on special training sessions on the 503 program

NADCO is the only professional trade association in the country devoted exclusively to helping 503 Certified Development Companies. All CDCs are urged to join.

For further information, please write or call:

National Association of Development Companies
1050 - 17th Street, N.W., Suite 900
Washington, D.C. 20036
(202) 296-4022

Membership Coupon

_____ Enclosed is our $250 initial annual payment for active membership in the National Association of Development Companies.

_____ Enclosed is $250 for associate membership (for prospective CDCs).

_____ Enclosed is $100 for affiliate membership (for interested public and private sector individuals).

Name _____ Title _____

Organization _____

Address _____

City _____ State _____ Zip _____

Telephone (___) _____

_____ Please send me information about NADCO membership.

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National Association of Development Companies

NADCO

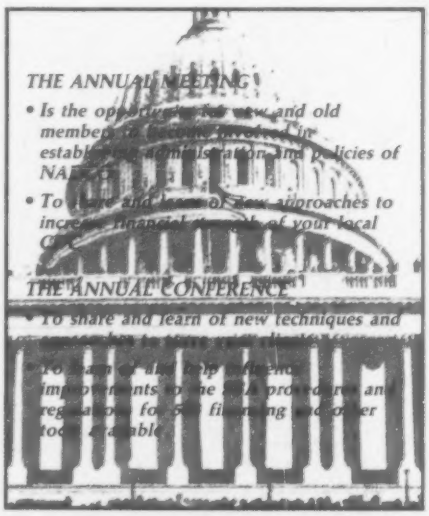
Increasing Influence and Strength of Certified Development Companies and SBA 503 Financing through our Second Annual Meeting of Members and Guests

ANNUAL MEETING & CONFERENCE

April 13-15, 1983
Quality Inn - Capitol Hill
Washington, D.C.

NADCO

NADCO's 1983 ANNUAL BUSINESS MEETING AND CONFERENCE *reflects the growing importance of certified development companies and improvements to the SBA 503 financing program as a service to both our local communities and to the U.S. Small Business Administration.*



CONFERENCE SCHEDULE

WEDNESDAY, APRIL 13

1:30-5:00PM
COMMITTEE MEETINGS

4:00-6:00PM
CONFERENCE REGISTRATION

6:00-8:00PM
RECEPTION FOR NADCO MEMBERS AND GUESTS

THURSDAY, APRIL 14

8:30-9:45AM
OPENING REMARKS
- Rep. Berkley Bedell of Iowa (continental breakfast)

ANNUAL BUSINESS MEETING
- President's Report & Membership Recognition
- Committee Reports on Past Year Activities and Recommendations
- Nominations Committee Report for Election of New Board and Officers

10:00-10:45AM
REGIONAL CAUCUS MEETINGS
- Election of Regional Directors
- Regional Membership Activities Proposed

11:00-11:45AM
BUSINESS MEETING RECONVENE
- Report on Regional Caucuses
- Election of At Large Board Members
- Legislative/Congressional Report

12:00-1:30PM
LUNCHEON
- Keynote Speaker
  James Sanders—Administrator
  U.S. Small Business Administration

1:45-3:15PM
SBA/TECHNICAL ISSUES PANEL
- Moderator-Scott Berman, Lawrence Avenue Dev. Corp.

NADCO

3:30-5:00PM
VISITS TO SENATORS/REPRESENTATIVES

5:00-7:00PM
CONGRESSIONAL RECEPTION

8:00-10:00PM
BOARD OF DIRECTORS MEETING

FRIDAY, APRIL 15

8:30-10:00AM
CONCURRENT PANELS
A. Marketing of your services
- Alternative approaches to your clients, lenders and referral sources
- Moderator, Art Goodman, San Diego Local Dev. Corp.

B. Increasing self-sufficiency
- Using fees and cash flow management to help yourself
- Moderator—Dick Beyer, Los Medanos Fund—Local Dev. Corp.

10:15-11:45AM
CONCURRENT PANELS
C. Closing the 503 debenture
- Simplifying what is perceived as complicated
- Moderator—Robert Millikin, Columbus Citywide Dev. Corp.

D. Computerized assistance to CDC's
- Using computers for loan applications and organizational purposes
- Moderator—Douglas Calhoun, St. Louis Local Dev. Corp.

12:00-1:30PM
LUNCHEON
- Introduction of New Officers
- Report on Board of Directors meeting

FRIDAY, APRIL 15, cont.

1:45-3:15PM
CONCURRENT PANELS
E. Documentation Requirements
- Recordkeeping for loan servicing, SBA reports and SBA audit
- Moderator—James McDonald, Evergreen Community Dev. Assn.

F. First Mortgage Lenders
- Identifying and lining up alternative first mortgage lenders
- Moderator—John Weiss, Baltimore Economic Dev. Corp.

3:30-5:00PM
Meetings of new officers and committees

HOTEL ARRANGEMENTS

The Annual Meeting/Conference is being hosted at the **Quality Inn - Capitol Hill**
415 New Jersey Ave., N.W. - (202) 638-1615
Washington, D.C. 20001

A block of rooms has been reserved for the evenings of April 13 and 14. Please call for your reservation as soon as possible. Ask for the NADCO rate of $65.00 per night (single).

REGISTRATION FORM

Return to: NADCO, 1050 17th St., N.W., Suite 900, Washington, D.C. 20036 Make Copy for Additional Registrants

Registration forms should be postmarked by April 1, 1983
Please make check payable to NADCO

_____ MEMBER $125 _____ NON-MEMBER $175
_____ COMBINED NEW MEMBER DUES & CONFERENCE FEE $375

Name _____
Title _____
Co. _____
Address _____
City/Zip _____
Phone _____

Amount Enclosed $_____
Purchase Order $_____
for $_____
☐ Send membership information

Cancellation Policy: After April 5 $25.00 Handling Charge

CONFERENCE PANEL PRESENTATIONS THAT YOU PLAN TO ATTEND _____ A or _____ B, _____ C or _____ D, _____ E or _____ F

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1050 17th Street, N.W., Suite 900
Washington, D.C. 20036

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2nd ANNUAL CONFERENCE

20-357 O - 83 - 6

Senator NUNN. What is your potential if you get all of these problems ironed out that you have enumerated?

Mr. BERT. We feel that in the following year, beginning October 1——

Senator NUNN. Which calendar year would that be?

Mr. BERT. That would be 1983 or fiscal year 1984. It is very possible, if we can get these changes put through to make the program more viable, that we could very easily be at the $50 million per month level—I think $40 million is a good estimate as well, but it is in that range.

The 503 program has tremendous potential. There are roughly 380 development companies that have been certified. The reality is that many of those are in the very beginning stages. They are getting started. They are establishing their relationships with the banks. They are getting their marketing programs set up. There is a real lag time in terms of when the certified development company actually is approved and when they do their first loan.

I think what we are seeing is a wave of loan activity coming through. Development companies that were certified 6 months to a year ago are now really beginning to pick up steam.

Another factor affecting our utilization of the funding is the slowdown in the economy. Our volume in Tucson during fiscal year 1983 was less than $500,000 in debentures. In the 6 months since then, with the drop in the interest rates, we have $2.5 million in projects that have been submitted to SBA.

Tucson has another $3 million that are in process right now, so that the volume is increasing very rapidly. I think that local experience is partly reflected nationally in the doubling of the volume from last calendar year to the last few months. We have actually doubled the amount that is being authorized. I think that will continue.

Senator NUNN. If you get these various details ironed out to your satisfaction, do you believe you can appropriately and efficiently utilize the funding levels contained in the legislation that is before us?

Mr. BERT. Yes, we feel that we can.

Senator NUNN. What do you see as the main advantage that the 503 has over the 501? We just talked about 501, and the case was made there that 501 has more flexibility than 503.

Mr. BERT. There are certain differences in the restrictions.

Senator NUNN. Reverse that question. What is the main advantage that 503 has over 501, and what kinds of loans do you envision will be made by 503 programs or are being made that could not be by 501?

Mr. BERT. As was mentioned by Mr. Johnson, the focus of the 503 program is on fixed asset expansions. We can assist a company that is established, that is doing well, that is now interested in expansion of either their plant or their equipment. We can help them to expand in the proper fashion, that is, finance their expansion in the proper fashion.

We cannot go in and refinance equipment or land or buildings. We cannot loan for working capital. What we do is really, I think, to help firms avoid working capital problems by financing fixed assets properly in the first place.

One of the first companies we ever dealt with was a bootmaker in Tucson that had what they considered a working capital problem. As we talked with them, we discovered that they had just bought a building. They were required to put 30 percent down, and they financed it over 7 years. He had a working capital problem, but the reason was that he did not finance the building correctly in the first place.

Now, we could not go back and help him because we could not refinance under our program. If we had helped the firm initially, we would have financed 90 percent of that building for probably 25 years. He would not have had the working capital problem if that had been done in the first place.

Senator NUNN. Well, now, would that type loan also be eligible for 501? I am trying to see where the overlap is here.

Mr. CHILDE. Senator Nunn, if I may, I am both a 501 and a 503 firm. May I address the question?

Senator NUNN. That would be fine.

Mr. CHILDE. They are in fact very complementary. I am not sure that you say one is advantageous over another one, because they do direct their focus to different segments of the economy.

Mike reported that he is limited statutorily between 5 and 15 years. It is tough to put a 30-year building on a 15-year term and have it work out.

Senator NUNN. That is 501?

Mr. CHILDE. That is 501. But with the addition of 503, we can put the land and the buildings on the long term. The debentures go 15, 20, or 25 years. We can put them on the proper term, match the useful life of that asset with the length of that loan, and that is only 10 percent down on the 503. That does leave him some working capital. But if, in fact, he needs, say, machinery and equipment for a long-term permanent working capital loan, that is where the 501 can come in. So, they very much can intermesh and be complementary and supplementary to each other.

Senator NUNN. Do you see a real advantage of operating both 501 and 503 so that you are sort of a one-stop shopping area for both of them?

Mr. CHILDE. Well, that is not the reason we do it, but yes, as a matter of fact, it has turned out that way. We can go in and analyze a situation and say, well, yes, I agree that you need to put the land and the buildings on the long term, but then let's put some of the intermediate on a 501 or an SBA-guaranteed basis and go talk to the bank in question about a short-term revolver, 90-day, in-and-out type loan.

So, we can put together a total, complete package to them, offering them the kinds of financial services they need at the length of term and at the rate that they can afford.

Mr. BERT. Senator, I know that in terms of our membership of NADCO, there are at least two other examples of where development companies are certified for both 501 and 503; there may be more. They are viewed as complementary programs in that case.

We also oftentimes work with the 7a program as well. But there is a need to be able to deal with both of those requirements, the expansion of the firm as well as the working capital.

Senator NUNN. Other than what is in this bill, S. 745, now, do you have any other suggestions that we ought to deal with legislatively, Mr. Bert? Then I will ask Mr. Childe the same question.

Mr. BERT. I would say that the question of dealing with alter ego may be something that needs to be dealt with legislatively. We are somewhat stymied in trying to get that resolved, and we are told by SBA that they will not change their position on the issue. Basically, unless the borrower is absolutely 100 percent identical to the firm itself, we cannot make loan to the individuals.

That creates a tremendous number of problems. It is the one issue that is raised, I think, almost unanimously by the 503 companies across the country as the biggest stumbling block that they run into. It is an issue that will have to be resolved legislatively if SBA continues to stonewall us. With your permission, we will submit proposed language for the record.

[Subsequent information was received and follows:]

Proposed Legislative Change in the Alter Ego Rule for SBA 501, 502, 503 Programs

Currently the Small Business Administration (SBU) will not allow a 503 financing of real estate and/or equipment unless the ownership of either is exactly the same as the ownership of the business. No deviation of this regulatory requirement is permitted and consequently many meritorious and worthwhile proposed financings cannot be undertaken. The following examples illustrate the irrational results that flow from this policy:

1) A 1% shareholder of a company must be included on a 1% basis in the ownership of SBA financed property.

2) A father and son who each own 50% of a company are not permitted to place the entire ownership of the project property in the name of the father even though the father would realize greater tax savings than the son.

3) A father with three children each of whom own stock in the company cannot place the ownership of SBA financed property in the name of the child who is active in the operation of the business.

4) A corporation is precluded from raising capital by permitting an individual from owning 10% of a project if he does not own 10% of the corporation's stock.

This policy appears contrary to the definition of affiliated concerns stated in Section 121.3-2(a) of SBA Regulations. Under that Section a business may be ruled ineligible for SBA assistance under a very broad test of affiliation. A double standard appears to be utilized. Moreover, SBA's current alter ego rule is at odds with federal policy. For example:

1) The "safe harbor" provisions in the Internal Revenue Code are specifically designed to provide cash for industry by permitting them to sell depreciation to individuals or other buisnesses.

2) The Economic Development Administration, Department of Housing and Urban Development and the Farmers Home Administration permit the ownership of an agency financed building to differ from the ownership of the occupants.

3) Section 267 of the Internal Revenue Code defines related parties in a much more liberal manner than SBA's alter ego rule. SBA itself permits the financing of long term leasehold improvements even though the building is owned by entirely different people.

NADCO does not want the 503 program to be used for the benefit of real estate speculators. Nor does the Association want financings to be arranged so that they will primarily benefit passive investors. On the other hand, there are many instances where the small business concern will directly or indirectly benefit by having different ownership of the plant and/or equipment than of the business itself. In fact, sound business practices often dictate a different equity mix as is recognized by other federal agency loan programs.

The attached legislation recognizes those economic realities by permitting a relaxation of SBA's present alter ego regulations if statutory guidelines and criteria are satisfied.

PROPOSED CHANGE IN ALTER EGO RULE
FOR 501, 502 and 503 LOANS

Ownership of real estate or equipment financed with the proceeds of an SBA 501, 502 or 503 loan shall be vested in one of the following:

(a) the small business concern itself being assisted with the loan

(b) an individual or individuals, corporation, trust, partnership or other entity whose management and beneficial interest are 66% or more in common with the management and beneficial interest of the small business concern being assisted with the loan.

(c) any one or more of the following classes of relatives may own or exercise all or any portion of the management or beneficial interest exercised by such relative in the small business concern being assisted with the loan:

(1) father
(2) mother
(3) son
(4) daughter
(5) brother
(6) sister
(7) wife
(8) husband

Senator NUNN. Give me an example of that, if you don't mind.

Mr. BERT. There was one firm that I met with last week. An individual has owned the company for 25 years. He is now semiretired and moving further into retirement. He is chairman of the board, and he has a younger individual that is coming into the company, wanting to buy it out. He is letting him buy it out over a period of time.

The individual, the chairman of the board, owns the building and the land that the firm works out of. They are now at the point where they want to expand the facility, expand the business, but in dealing with him we have very few options.

Senator NUNN. You have to make the loan to the owner, but the operator is the one that is going to use the money.

Mr. BERT. That is right. The retiring chairman owns 100 percent of the land and building, and he only owns 80 percent of the company. The only way that we can make that loan to the individuals is to do it 80/20. But as he sells out to the individual, we continually put the loan in jeopardy. It becomes a nonsensical situation in which the only way we can structure the project is as leasehold improvements on something that the retiring chairman already owns.

There are even worse examples where it is a parent that is retiring. Let's say that it is a family business, and the parents are moving out of the business and the children are coming in and taking over the company. We are prevented from even loaning in that case, where, let's say, the parents want to hold onto the real estate.

The parents could provide a valuable source of expansion financing to the small business, and yet we are cut off from making those loans. The children are not eligible under that case unless we loan directly to the business, and that creates a lot of problems.

Senator NUNN. Could you furnish several other examples like this for the record?

Mr. BERT. Sure. We would be happy to submit those.

Senator NUNN. I would like to understand what you are talking about.

[Subsequent information was received and follows:]

The present alter-ego rule excludes many viable businesses and projects which meet the intent of the 503 program, but which are declared ineligible based on technical non-compliance. SOP 50-22 Chapter 4, Paragraph 15 (a)(iv), (page 28 of the SOP) requires:

> "the ownership interests in the applicant (alter-ego) shall be completely identical with and in the same proportion as the ownership interests in such small business concern, and the identity of interests shall remain unchanged until the loan is repaid in full or SBA sooner gives approval to a change."

The rule disallows alter-egos who for any reason have slightly differing SBC stock ownership and real estate ownership compositions. Some companies reward their young and promising managers with stock or partnership interests in the company without giving them a share in real estate (or vice versa). SBCs who are second or third generation businesses often pass SBC stock ownership to those heirs who operate the business and real estate ownership to a broader group of heirs. The result is to have slightly different SBC and alter-ego entities, both of whom are fully controlled by the principals of the SBC.

SOP 50-22 Chapter 4, Paragraph 15 (a)(iii), (page 28 of the SOP) states that:

> "The proceeds of the loan to be used to benefit directly such applicant (alter-ego) will be used only to acquire or improve real or personal property for the exclusive use of such SBC."

This provision prohibits the SBA from assisting any alter-ego which is acquiring an existing building some of which may be leased out because it is not suitable for the SBC's needs (e.g. the second floor of a retail SBC, etc.).

Two examples of alter-ego problems are provided by the Columbus County-wide Development Corporation:

Kellum and Associates, a corporation, is a firmly established architectural firm in Dublin, Ohio. The firm plans to move into Columbus's inner city and to purchase and renovate an historic structure there.

Kellum and Associates is owned by several senior architectural associates in the business. Mr. Kellum, founder, owns 50 percent of the business, with five associates owning varying shares of the remaining 50 percent. Mr. Kellum is proposing to form a partnership for ownership of the real estate. To reward and motivate his senior associates, he plans to offer them a higher share in ownership of the property than they have in the business. His share in the partnership will be 30 percent, with the remainder split between the five associates.

As proposed, the ownership structure is in conflict with SBA regulations that ownership of the alter-ego and the SBC be identical (SOP 50-22, Chapter 4). Mr. Kellum does not wish to reduce his share in ownership of the SBC, since he wants to retain 50 percent of the stock. He also feels the increased real estate ownership shares for his associates are important for his business.

Ohio Transmission Corporation is a 30-year old company with 160 employees, in seven locations throughout Ohio. The company is owned in equal proportions by the founders, Philip Carstens and David Derrow. The real estate for the seven plants is owned by Carstens-Derrow Realty Co., a partnership consisting of Barbara Carstens and Muriel Derrow, the wives of the corporate owners.

Ohio Transmission's Columbus operations have outgrown the space available at its current location. The company has taken an option on a building in Columbus's inner-city, in the Parsons Avenue targeted commercial revitalization area. The company is seeking financing for the purchase and extensive renovation of the building, at a project cost of $450,000.

SBA's Columbus office has said that it cannot entertain an application from Ohio Transmission Corporation in its current ownership structure, because SBA regulations (see SOP 50-22, Chapter 4) state that ownership interests in the alter-ego (Carstens-Derrow Realty Company) must be completely identical to the small business concern (Ohio Transmission Corporation). Since the wives own the real estate and the husbands own the SBC, the company is ineligible for 503 financing.

Senator NUNN. Do you have any other recommendations for legislation?

Mr. BERT. There is the question—and again, I do not know the exact answer—but the question of whether or not we need, legislatively, to eliminate the $500,000 loan ceiling.

Senator NUNN. Right.

Mr. BERT. Other than that, I think we have dealt fairly well with the tax-exempt issue. That was the one that was successfully legislated.

Now, I would like to reserve the right to——

Senator NUNN. You may supplement for the record. That is fine.

Mr. BERT. At our NADCO meeting Thursday and Friday, we have a Technical Issues Committee that will be discussing these issues again, and there may very well be some items that they would identify.

Senator NUNN. We would welcome a supplement to the record. We will keep the record open for another 2 weeks. Does that give you time?

Mr. BERT. Sure.

[Subsequent information was received and follows:]

In addition to our interest in solving the alter-ego problems and eliminating the $500,000 ceiling on 503 debentures, NADCO would very much like to encourage an organizational change within SBA which would put the 503 program on a similar footing as that of the SBIC program. The 503 program has been described by the SBA Administrator as the "flagship" of the SBA programs and we feel that it is important to recognize this fact organizationally through creation of an Office of Economic Development headed by a separate Deputy Associate Administrator for Economic Development who would be responsible for administering the so-called 501, 502, and 503 programs.

Thank you again, Senator Nunn, for your attention to these issues.

Senator NUNN. We also have some statistical information from SBA that will be made part of the record.

[Material follows:]

ANSWERS OF THE SMALL BUSINESS ADMINISTRATION
TO QUESTIONS OF SENATOR NUNN

Question #1

On a monthly basis, for fiscal years 1981 through 1984, what has been or is the amount of debentures maturing?

Answer

We do not have the maturity schedule for FY 1981 by month. However, we know that approximately $55.0 million of SBIC debentures matured in that year of which $21.0 million was refunded by SBA. That was about 38.2 %.

For FY 1982, the maturing debentures were about $54.2 million of which $38.6 million was held by the public. Of the total of $54.2 million, $15.0 million was refunded or 27.7 %.

For FY 1983 to date, the maturities have been $54.1 million of which $39.0 million was held by the public. We have refunded $20.2 million or 37.3 % of the $54.1 million. At this point, it should be noted that the refundings in a particular period include not only maturities in that period but also the refundings of debentures held on demand from prior periods because of regulatory or other problems.

In summary, the maturities and refundings have been as follows:

Year	Gross Maturities	Refundings	Ref. as % Gross
81	$ 55.0 million	$ 21.0 million	38.2 %
82	$ 54.2 million	$ 15.0 million	27.7 %
83(to date)	$ 54.1 million	$ 20.2 million	37.3 %
Total	$163.3 million	$ 56.2 million	34.4 %

It appears that some SBICs chose not to refund during the high interest rate atmosphere in 82 which would explain the lower refunding percent. However, that may appear in this year or next as demand for "new" funds.

Attached is a schedule by month of the gross SBIC debentures maturing for the calander years 1982 through 1987. This schedule was compiled as of early 82 and thus in the out-years may not reflect the maturities of debentures issued between early 82 and now.

DATE :January 12, 1982

TO :Robert G. Lineberry
DAA/I (Acting)

FROM :John L. Werner
Director, PPES

SUBJECT :SBIC Debt Management
Maturing SBIC Leverage

Here is the breakdown of SBIC maturing leverage which you requested last Friday when we were discussing leverage and budget strategy. These data represent the gross exposure of the respective fiscal year budgets to refundings.

Fiscal Year 1982 . For the remaining part of this fiscal year (January through September), we have 71 debentures maturing for $54.2 million. Of these, 49 debentures in the total amount of $38.6 million are publicly held.

Fiscal Years 1983 through 1987 . Attached hereto is a tabular presentation, by calendar year, of the SBIC leverage which will be maturing from 1982 through 1987. All of this leverage matures the first day of the respective month. The table includes the maturing obligations held by the public from sales which took place from May 1982 through March 1984, and by the FFB from sales beginning August 1974 through the present time. It does not include the old amortizing leverage held by SBA of approximatly $42.0 million which represents only 5% of the total outstandings. MESBIC outstandings were not included in this analysis.

In summary, the totals of these maturities by government fiscal years are as follows.

FY	#	$ in millions
83	87	$ 101.6
84	134	$ 139.2
85	78	$ 63.5
86	31	$ 56.5
87	97	$ 83.0

As far as actual exposure to refunding, the 1983 and 1984 totals must be adjusted since the October 1, 1983, maturity of $52.7 million will have to be refunded in FY 1983 rather than FY 1984 due to funds flow timing considerations. Thus, the above table should be adjusted as follows.

FY	#	$ in millions
83	120	$ 154.3
84	101	$ 86.5

If further detail is necessary, it is available.

MATURING SBIC DEBENTURES CALENDAR YEARS 1982 THRU 1987
(FFB AND PUBLICLY-HELD ONLY---SBA ASSETS NOT INCLUDED)

MONTH	#	1982 AMOUNT	#	1983 AMOUNT	#	1984 AMOUNT	#	1985 AMOUNT	#	1986 AMOUNT	#	1987 AMOUNT
JAN.	3	950,000	3	2,700,000	2	1,100,000	9	8,760,000	0	-0-	7	7,200,000
FEB.	2	550,000	2	850,000	6	6,665,000	5	8,990,000	4	2,270,000	9	15,230,000
MAR.	2	750,000	35	39,140,000	35	32,580,000	6	4,085,000	4	3,450,000	4	3,100,000
APR.	1	565,000	2	1,250,000	2	1,900,000	7	5,150,000	3	1,360,000	9	5,850,000
MAY	50	41,060,000	2	1,750,000	13	5,430,000	8	6,170,000	7	2,565,000	5	5,600,000
JUNE	2	430,000	22	30,660,000	3	1,355,000	6	4,200,000	4	2,500,000	7	3,700,000
JULY	7	3,970,000	3	2,300,000	5	1,450,000	7	3,310,000	9	8,390,000	12	12,350,000
AUG.	0	-0-	5	10,300,000	12	9,300,000	4	2,300,000	22	14,775,000	5	2,420,000
SEPT.	4	6,050,000	4	2,350,000	13	14,580,000	12	5,532,000	8	7,440,000	8	4,230,000
OCT.	2	1,500,000	34	53,170,000	4	3,930,000	8	7,750,000	10	8,750,000	6	4,060,000
NOV.	2	1,050,000	3	3,950,000	5	4,550,000	4	3,200,000	12	5,770,000	6	4,950,000
DEC.	5	7,700,000	5	7,750,000	6	6,550,000	8	2,800,000	9	7,800,000	3	1,830,000

PUBLICLY-HELD DEBENTURES INCLUDED IN THE RESPECTIVE MONTHS ABOVE:

MATURITY DATE	# COS.	AMOUNT
MAY 1, 1982	49	$ 33,560,000
MARCH 1, 1983	34	$ 33,990,000
JUNE 1, 1983	18	$ 25,160,000
OCTOBER 1, 1983	33	$ 52,670,000
MARCH 1, 1984	32	$ 29,530,000

As of Jan.1, 1982

Question #2

On a monthly basis, for fiscal years 1981, 1982, and the first two quarters of 1983:

(a) what requests for refinancings have been made by licensees ? Of this amount, how much has been public issue funds and how much has been FFB funds ?

(b) what approvals have been made for refinancings ?

(c) what requests for new leverage has been made by licensees?

(d) what approvals have been made for new leverage ?

Answer

We have not compiled the statistics on the number and amount of new applications and refunding applications.

Attached hereto are the application logs of the SBIC program for the three fiscal years 1981, 1982, 1983.

As for approvals of refundings and new leverage, attached are the SBIC program Leverage Budget logs for those three fiscal years. These show the amount of funds advanced and refunded by month.

SPIC LEVERAGE APPLICATION LOG

DATE REC'D	DATE APPL.	LICENSE NUMBER	LICENSEE NAME CITY / STATE		APPLICATION AMOUNT	CHIEF SURNAME	REGION NUMBER	DISPOSITION/COMMENTS	DISPOSITION DATE
08/04/82	07/29/82	01/02-0029	ASSET CAPITAL & MANAGEMENT CO.	CT	N 250,000	FRIESS	NORTHEAST	DENIED	07/21/82
08/31/82	08/16/82	02/02-0413	HOLDING CAPITAL CORP.	NY	N 600,000	FRIESS	NORTHEAST	NONE	
09/27/82	09/17/82	02/02-0355	EUROPEAN DEVELOPMENT CAP. CORP.	NY	N 1,000,000	FRIESS	NORTHEAST	APPROVED - 1,000,000	10/13/82
10/06/82	10/04/82	02/02-0380	TLC FUNDING CORP.	NY	N 700,000	FRIESS	NORTHEAST	APPROVED - $500,000	11/15/82
10/28/82	10/14/82	02/02-0399	NORO CAPITAL CORPORATION	NY	N 1,000,000	FRIESS	NORTHEAST	APPROVED - 500,000	11/15/82
11/29/82	11/18/82	02/02-0297	NELSON CAPITAL CORP.	NY	N 330,000	FRIESS	NORTHEAST	APPROVED	12/14/82
11/30/82	11/24/82	02/02-0366	EDWARDS CAPITAL COMPANY	NY	N 1,800,000	FRIESS	NORTHEAST	APPROVED - $600,000	12/14/82
12/01/82	11/29/82	02/02-0410	CLINTON CAPITAL CORPORATION	NY	N 900,000	FRIESS	NORTHEAST	APPROVED	12/14/82
12/01/82	11/24/82	02/02-0403	EAB VENTURE CORP.	NY	N 2,000,000	FRIESS	NORTHEAST	RETURNED	01/11/83
12/01/82	11/30/82	02/02-0339	SPROUT CAPITAL CORPORATION	NY	R 1,000,000	FRIESS	NORTHEAST	APPROVED	01/11/83
12/28/82	12/15/82	02/02-0399	NORO CAPITAL CORP.	NY	N 1,500,000	FRIESS	NORTHEAST	HOLD UNTIL AFTER FEB. REFUNDING	01/10/83
12/28/82	12/15/82	02/02-0355	EUROPEAN DEVELOPMENT CAP. CORP.	NY	N 1,500,000	FRIESS	NORTHEAST	HOLD UNTIL AFTER FEB. REFUNDING	01/10/83
01/03/83	12/30/82	01/01-0299	BOSTON HAMPRO CAPITAL COMPANY	MA	N 1,000,000	FRIESS	NORTHEAST	DENIED	01/08/83
01/04/83	12/30/82	01/01-0035	LINCOLN CAPITAL CORPORATION	NY	N 1,000,000	FRIESS	NORTHEAST	RETURNED	01/08/83
01/18/83	12/28/82	02/02-0088	MONMOUTH CAPITAL CORPORATION	NY	R 400,000	FRIESS	NORTHEAST	NONE	
01/26/83	01/24/83	01/01-0003	NARRAGANSETT VENTURE CORP.	RI	R 5,000,000	FRIESS	NORTHEAST	APPROVED	02/16/83
01/31/83	01/18/83	02/02-0180	CMNY CAPITAL COMPANY, INC.	NY	R 500,000	FRIESS	NORTHEAST	APPROVED	02/16/83
01/31/83	01/27/83	02/02-0013	FIRST CONNECTICUT SPIC	CT	R 1,500,000	FRIESS	NORTHEAST	APPROVED	02/16/83
01/31/83	01/27/83	02/02-0013	FIRST CONNECTICUT SPIC	CT	N 2,100,000	FRIESS	NORTHEAST	APPROVED	03/14/83
02/02/83	01/27/83	01/01-0018	MASSACHUSETTS CAPITAL CORP.	MA	R 1,500,000	FRIESS	NORTHEAST	APPROVED	02/16/83
02/02/83	01/25/83	02/02-0097	REALTY GROWTH CAPITAL CORP.	NY	R 300,000	FRIESS	NORTHEAST	APPROVED	02/16/83
02/03/83	01/24/83	02/02-0232	MULTI-PURPOSE CAPITAL CORP.	NY	R 99,800	FRIESS	NORTHEAST	DENIED	02/04/83
02/28/83	02/22/83	02/02-0355	EUROPEAN DEVELOPMENT CAP. CORP.	NY	N 1,500,000	FRIESS	NORTHEAST	APPROVED	03/14/83
02/28/83	02/22/83	02/02-0399	NORO CAPITAL CORPORATION	NY	N 1,500,000	FRIESS	NORTHEAST	APPROVED	03/14/83
03/01/83	02/24/83	02/02-0370	AMEV CAPITAL CORP.	NY	N 1,500,000	FRIESS	NORTHEAST	APPROVED 1,000,000 ONLY	03/14/83
03/01/83	02/28/83	01/01-0307	REGIONAL FINANCIAL ENTERPRISES	CT	N 3,000,000	FRIESS	NORTHEAST	APPROVED 1,000,000 ONLY	03/14/83
03/01/83	02/28/83	01/01-0299	BOSTON HAMPRO CORP.	MA	N 1,000,000	FRIESS	NORTHEAST	APPROVED	03/14/83
03/07/83	03/03-83	02/02-0416	KWIAT CAPITAL CORP.	NY	N 500,000	FRIESS	NORTHEAST	NONE	
02/28/83	02/28/83	02/02-0366	EDWARDS CAPITAL COMPANY	NY	N 1,200,000	FRIESS	NORTHEAST	NONE	
03/08/83	03/04/83	02/02-0361	WOOD RIVER CAPITAL CORPORATION	NY	N 1,200,000	FRIESS	NORTHEAST	NONE	
03/08/83	03/03/83	02/02-0357	ATALANTA INVESTMENT CO., INC.	NY	N 2,000,000	FRIESS	NORTHEAST	NONE	
03/08/83	03/02/83	01/01-0320	RIHT CAPITAL CORPORATION	RI	N 1,000,000	FRIESS	NORTHEAST	APPROVED	03/14/83
03/08/83	03/01/83	02/02-0410	CLINTON CAPITAL CORPORATION	NY	N 900,000	FRIESS	NORTHEAST	APPROVED 400,000 ONLY	03/14/83
03/17/83	03/01/83	02/02-0340	FUNDEX CAPITAL CORPORATION	NY	N 540,000	FRIESS	NORTHEAST	NONE	
03/31/83	03/24/83	02/02-0366	EDWARDS CAPITAL COMPANY	NY	N 1,200,000	FRIESS	NORTHEAST	NONE	
03/31/83	03/28/83	02/02-0413	HOLDING CAPITAL MGMT CORP.	NY	N 500,000	FRIESS	NORTHEAST	NONE	

03/31/83	03/15/83	02/02-0403	EAP VENTTURE CORP.	NY	N	3,000,000	FRIESS	NORTHEAST	NONE
04/01/83	03/16/83	01/01-0055	BUSINESS ACHIEVEMENT CORP.	MA	N&R	500,000	FRIESS	NORTHEAST	NONE
04/01/83	03/29/83	02/02-0357	ATALANTA INVESTMENT CO., INC.	NY	N	2,800,000	FRIESS	NORTHEAST	NONE
04/05/83	03/30/83	01/01-0307	REGIONAL FINANCIAL ENTERP.,INC.	CT	N	3,000,000	FRIESS	NORTHEAST	NONE

09/03/82	08/30/82	06710-0152	BRITTANY CAPITAL CORPORATION	TX	N	300,000	WILKINSON WEST	APPROVED - 300,000	10/13/82
09/29/82	09/23/82	09/09-0288	NEW WEST PARTNERS	CA	N	600,000	WILKINSON WEST	RETURNED	10/12/82
09/30/82	09/30/82	06/06-0209	RUST CAPITAL, LTD.	TX	N	3,000,000	WILKINSON WEST	RETURNED	10/12/82
10/01/82	09/21/82	09/09-0262	ROUND TABLE CAPITAL CORP.	CA	N	600,000	WILKINSON WEST	APPROVED- 600,000	10/13/82
10/04/82	09/28/82	06/06-0244	SPI CAPITAL CORP.	TX	N	1,000,000	WILKINSON WEST	APPROVED - $500,000 ONLY	10/13/82
10/06/82	10/04/82	06710-0150	CAPITAL MARKETING CORPORATION	TX	N	2,000,000	WILKINSON WEST	APPROVED- 2,000,000	10/15/82
10/06/82	09/28/82	06/06-0244	SPI CAPITAL CORPORATION	TX	N	1,000,000	WILKINSON WEST	APPROVED-500,000	10/20/82
10/27/82	10/25/82	09/09-0245	CROSSPOINT INVESTMENT CORP.	CA	N	300,000	WILKINSON WEST	APPROVED	11/15/82
10/29/82	10/21/82	09/09-0235	UNIVERSAL INVESTMENT CORP.	NV	N	400,000	WILKINSON WEST	APPROVED	11/15/82
10/29/82	10/18/82	09/09-0226	WEST COAST VENTURE CAPITAL	CA	N	2,000,000	WILKINSON WEST	DENIED	11/15/82
10/29/82	09/30/82	06/06-0209	RUST CAPITAL, LTD.	TX	N	3,000,000	WILKINSON WEST	APROVED - 1,500,000	11/15/83
11/01/82	10/27/82	06/10-0004	TEXAS CAPITAL CORPORATION	TX	N&R	3,000,000	WILKINSON WEST	APPROVED - 2,000,000 REFUNDING	11/15/82
11/01/82	10/25/82	10/10-0166	SEAFIRST CAPITAL CORPORATION	WA	N	1,000,000	WILKINSON WEST	APPROVED	11/15/82
11/01/82	10/25/82	09/09-0239	BRENTWOOD CAPITAL CORPORATION	CA	N	5,000,000	WILKINSON WEST	APPROVED - 4,000,000	11/15/82
11/03/82	10/13/82	06/10-0019	SOUTH TEXAS SMALL BUS. INV. CO.	TX	N	1,000,000	WILKINSON WEST	APPROVED	11/15/82
11/29/82	11/23/82	09/09-0288	NEW WEST PARTNERS	CA	N	600,000	WILKINSON WEST	APPROVED	12/14/82
11/30/82	11/24/82	06/10-0057	RICE INVESTMENT COMPANY	TX	N&R	600,000	WILKINSON WEST	APPROVED	12/14/82
11/30/82	11/18/82	10/13-0014	NORTHERN PACIFIC CAPITAL CORP.	OR	N	500,000	WILKINSON WEST	APPROVED	03/14/83
12/21/82	12/09/82	06/06-0184	TSM CORP.	TX	N	250,000	WILKINSON WEST	RETURNED	01/06/83
12/21/82	12/13/82	09/09-0175	WALDEN CAPITAL CORP.	CA	N	1,000,000	WILKINSON WEST	APPROVED	03/14/83
12/27/82	12/20/82	06/06-0209	RUST CAPITAL, LTD.	TX	N	1,500,000	WILKINSON WEST	APPROVED	03/14/83
12/30/82	12/27/82	06/06-0224	FLUID CAPITAL CORP.	NM	N	750,000	WILKINSON WEST	RETURNED	01/07/83
01/03/83	12/20/82	08/08-0039	ASSOCIATED CAPITAL CORP.	CO	N&R	1,250,000	WILKINSON WEST	APPROVED 550,000 REFUNDING ONLY	01/11/83
								APPROVED 700,000	03/14/83
01/03/83	12/30/82	09/09-0224	FIRST INTERSTATE CAPITAL, INC.	CA	N	3,000,000	WILKINSON WEST	APPROVED	01/11/83
01/10/83	12/30/82	09/09-0300	HAMCO CAPITAL CORP.	CA	N	1,000,000	WILKINSON WEST	RETURNED	01/10/83
01/28/83	01/26/83	10/13-0008	WASHINGTON CAPITAL CORP.	WA	R	1,120,000	WILKINSON WEST	APPROVED	02/16/83
01/28/83	01/25/83	09/14-0037	SAN JOAQUIN CAPITAL CORPORATION	CA	R	250,000	WILKINSON WEST	APPROVED	02/16/83
01/31/83	01/24/83	09/09-0161	RSC FINANCIAL CORP.	CA	R	1,200,000	WILKINSON WEST	APPROVED	02/16/83
02/28/83	02/23/83	09/09-0292	CALIFORNIA CAP. INVESTORS,LTD.	CA	N	1,500,000	WILKINSON WEST	RETURNED	03/10/83
03/03/83	12/23/82	06/06-0244	SBI CAPITAL CORP.	TX	N	1,000,000	WILKINSON WEST	DENIED	03/14/83
03/04/83	02/24/83	09/02-0175	MARWIT CAPITAL CORP.	CA	N	500,000	WILKINSON WEST	NONE	
03/04/83	02/25/83	10/10-0171	CAPITAL RESOURCE CORPORATION	WA	N	500,000	WILKINSON WEST	APPROVED	03/14/83
03/08/83	02/28/83	09/09-0239	BRENTWOOD CAPITAL CORPORATION	CA	N	5,000,000	WILKINSON WEST	APPROVED FOR 2,000,000	03/14/83
03/07/83	02/28/83	09/09-0300	HAMCO CAPITAL CORPORATION	CA	N	1,000,000	WILKINSON WEST	APPROVED	03/14/83
03/21/83	03/04/83	09/14-0085	OCEANIC CAPITAL CORPORATION	CA	N	700,000	WILKINSON WEST	NONE	

03/31/83	03/17/83	09/14-0037	SAN JOAQUIN CAPITAL CORP.	CA	N	85,000	WILKINSON	WEST	NONE
03/31/83	03/25/83	09/09-0292	CALIFORNIA CAPITAL INVESTORS	CA	N	1,500,000	WILKINSON	WEST	NONE
04/01/83	03/25/83	06/06-0244	SPI CAPITAL CORP.	TX	N	1,000,000	WILKINSON	WEST	NONE
04/01/83	03/17/83	09/09-0274	PAN AMERICAN INVESTMENT CO.	CA	N	1,500,000	WILKINSON	WEST	NONE
04/01/83	03/31/83	09/09-0226	WEST COAST VENTURE CAPITAL	CA	N	2,000,000	WILKINSON	WEST	NONE
04/01/83	03/30/83	06/10-0056	INTERFIRST VENTURE CORP.	TX	N&R	11,000,000	WILKINSON	WEST	NONE
04/01/83	03/23/83	06/06-0234	SOUTHWESTERN VENTURE CAP. OF TX	TX	N	500,000	WILKINSON	WEST	NONE
04/04/83	03/29/83	06/06-0231	ENERGY CAPITAL CORP.	TX	N	3,000,000	DIMUZIO	WEST	NONE

10/04/82	10/01/82	02/02-0405	UNICORN VENTURES, LTD.		NJ	N	1,500,000	KLAPP	SOUTHEAST	APPROVED - $500,000 ONLY	10/13/82
10/06/82	10/04/82	03/04-0065	TIDEWATER INDUSTRIAL CAP. CORP.	VA		N	300,000	KLAPP	SOUTHEAST	APPROVED- 300,000	10/13/82
10/22/82	10/21/82	04/04-0188	J&D CAPITAL CORORATION		FL	N	500,000	KLAPP	SOUTHEAST	APPROVED	11/15/82
11/03/82	10/29/82	04/10-0086	DELTA CAPITAL, INCORPORATED	NC		N	435,000	KLAPP	SOUTHEAST	DENIED	11/15/82
11/03/82	10/29/82	04/10-0086	DELTA CAPITAL, INCORPORATED	NC		R	850,000	KLAPP	SOUTHEAST	DENIED	11/15/82
11/03/82	10/28/82	04/04-0042	CHARLESTON CAPITAL CORPORATION	SC		N	500,000	KLAPP	SOUTHEAST	DENIED	11/15/82
11/29/82	11/19/82	04/05-0010	GOLD COAST CAPITAL CORPORATION	FL		N&R	300,000	KLAPP	SOUTHEAST	DENIED	12/14/82
11/30/82	11/19/82	04/05-0022	FIRST NORTH FLORIDA SPIC		FL	N	1,000,000	KLAPP	SOUTHEAST	APPROVED - $500,000	12/14/82
11/30/82	11/15/82	02/02-0407	EQUITIES CAPITAL CO., INC.		NJ	N	650,000	KLAPP	SOUTHEAST	NONE	
12/01/82	11/29/82	04/04-0042	CHARLESTON CAPITAL CORP.		SC	N	500,000	KLAPP	SOUTHEAST	APPROVED	12/14/82
12/01/82	11/24/82	04/10-0086	DELTA CAPITAL, INC.		NC	N	850,000	KLAPP	SOUTHEAST	APPROVED	12/14/82
12/07/82	11/23/82	02/02-0408	INTERSTATE CAPITAL CO., INC.	NJ		N	500,000	KLAPP	SOUTHEAST	RETURNED	12/09/82
12/30/82	12/28/82	02/02-0088	MONMOUTH CAPITAL CORP.		NJ	N	1,000,000	KLAPP	SOUTHEAST	RETURNED	
12/30/82	12/28/82	04/04-0047	HERITAGE CAPITAL CORP.		NC	N	1,500,000	KLAPP	SOUTHEAST	RETURNED	
01/26/83	01/20/83	04/05-0086	MARKET CAPITAL CORP.		FL	R	350,000	KLAPP	SOUTHEAST	RETURNED	
01/31/83	01/25/83	04/05-0095	SOUTHEAST VENTURE CAPITAL CORP.	FL		R	2,000,000	KLAPP	SOUTHEAST	APPROVED	03/14/83
01/31/83	01/24/83	04/05-0084	MOME CAPITAL CORP.		GA	R	200,000	KLAPP	SOUTHEAST	NONE	
01/31/83	01/25/83	04/10-0086	DELTA CAPITAL, INCORPORATED	NC		R	1,580,000	KLAPP	SOUTHEAST	NONE	
02/02/83	01/28/83	04/05-0082	SPAC OF PANAMA CITY, FL	FL		R	1,000,000	KLAPP	SOUTHEAST	NONE	
02/08/83	01/20/83	04/05-0086	MARKET CAPITAL CORPORATION	FL		R	350,000	KLAPP	SOUTHEAST	APPROVED	02/16/83
02/17/83	12/28/83	02/02-0088	MONMOUTH CAPITAL CORP.	NJ		R	400,000	KLAPP	SOUTHEAST	APPROVED	02/16/83
02/23/83	02/15/83	04/04-0189	KITTY HAWK CAPITAL, LTD.	NC		N	1,000,000	KLAPP	SOUTHEAST	APPROVED 500,000 ONLY	03/14/83
02/28/83	02/23/83	04/04-0047	HERITAGE CAPITAL CORP.	NC		N	1,500,000	KLAPP	SOUTHEAST	APPROVED	03/14/83
03/08/83	03/03/83	02/02-0088	MONMOUTH CAPITAL CORPORATION	NJ		N	600,000	KLAPP	SOUTHEAST	APPROVED	03/14/83
03/08/83	03/02/83	04/04-0213	DANIA VENTURE CORPORATION	FL		N	1,000,000	KLAPP	SOUTHEAST	APPROVED 500,000 ONLY	03/14/83
03/31/83	03/25/83	02/02-0433	RAYPAR SPI CORP.	NJ		N	500,000	KLAPP	SOUTHEAST	NONE	
04/04/83	03/30/83	02/02-0216	ENGLE INVESTMENT COMPANY	NJ		N	1,000,000	KLAPP	SOUTHEAST	NONE	
04/04/83	03/31/83	04/10-0086	DELTA CAPITAL, INC.	NC		R	1,580,000	KLAPP	SOUTHEAST	NONE	

08/31/82	08/27/82	05/05-0099	NORTH STAR VENTURES, INC.	MN	N&R	1,500,000	NEWELL	MIDWEST	HOLD FOR MORE INFORMATION	11/15/82
09/03/82	08/31/82	06/06-0171	FIRST VENTURE CORP.	OK	N	900,000	NEWELL	MIDWEST	RETURNED	10/21/82
09/29/82	09/23/82	05/08-0018	NORTHLAND CAPITAL CORPORATION	MN	N&R	400,000	NEWELL	MIDWEST	APPROVED- 400,000	10/13/82
10/01/82	09/30/82	05/05-0147	BANDO-MCGLOCKLIN INV.CO., INC.	WI	N	1,500,000	NEWELL	MIDWEST	APPROVED-1,500,000	10/13/82
10/01/82	09/22/82	06/06-0200	SAVINGS VENTURE CAPITAL CORP.	LA	R	750,000	NEWELL	MIDWEST	DENIED	12/21/82
11/19/82	11/12/82	06/06-0248	WESTERN VENTURE CAPITAL CORP.	OK	N	2,500,000	NEWELL	MIDWEST	RETURNED	02/07/83
11/19/82	11/15/82	05/05-0098	DOAN RESOURCES CORPORATION	MI	N	500,000	NEWELL	MIDWEST	RETURNED (BUDGET)	01/06/83
11/24/82	11/16/82	05/05-0143	MIAMI VALLEY CAPITAL, INC.	OH	N	500,000	NEWELL	MIDWEST	APPROVED	12/14/82
11/30/82	11/29/82	05/05-0147	BANDO-MCGLOCKLIN INV. CO., INC.	WI	N	1,500,000	NEWELL	MIDWEST	APPROVED	12/14/82
11/30/82	11/25/82	05/06-0031	GRIES INVESTMENT COMPANY	OH	N	500,000	NEWELL	MIDWEST	RETURNED (BUDGET)	01/06/83
12/01/82	11/24/82	05/05-0137	NATIONAL CITY CAPITAL CORP.	OH	N	2,000,000	NEWELL	MIDWEST	APPROVED - $1,000,000	12/14/82
12/01/82	11/26/82	05/05-0114	FRONTENAC CAPITAL CORPORATION	IL	N	1,000,000	NEWELL	MIDWEST	APPROVED	12/14/82
01/03/82	12/30/82	05/05-0099	NORTH STAR VENTURES, INC.	MN	N&R	3,750,000	NEWELL	MIDWEST	APPROVED $750,000 REFUNDING APPROVED 3,000,000 NEW $	01/11/83 02/16/83
12/03/83	01/20/83	05/07-0023	CLARION CAPITAL CORPORATION	OH	R	2,000,000	NEWELL	MIDWEST	NONE	
12/25/83	02/18/83	05/05-0136	SUPER MARKET INVESTORS, INC.	WI	R	250,000	NEWELL	MIDWEST	APPROVED	03/14/83
12/28/82	02/25/83	05/06-0031	GRIES INVESTMENT COMPANY	OH	N	500,000	NEWELL	MIDWEST	APPROVED FOR 33,000 ONLY	03/14/83
03/09/83	02/25/83	05/10-0104	EAGLE VENTURES, INC.	MN	N	1,000,000	NEWELL	MIDWEST	NONE	
03/31/83	03/25/83	08/08-0034	DAKOTA FIRST CAPITAL CORP.	ND	N	1,000,000	NEWELL	MIDWEST	NONE	
03/31/83	03/29/83	05/05-0143	MIAMI VALLEY CAPITAL INC.	OH	N	500,000	NEWELL	MIDWEST	NONE	
03/31/83	03/30/83	05/05-0099	NORTH STAR VENTURES, INC.	MN	N	2,000,000	NEWELL	MIDWEST	NONE	
04/01/83	03/14/83	06/06-0248	WESTERN VENTURE CAPITAL CORP.	OK	N	2,000,000	NEWELL	MIDWEST	NONE	

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DATE REC'D	DATE APPL.	LICENSE NUMBER	LICENSEE NAME CITY / STATE		APPLICATION AMOUNT	CHIEF SURNAME	REGION NUMBER	DISPOSITION/COMMENTS		DISPOSITION DATE
10/01/81	09/24/81	02/02-0383	S & S VENTURES ASSOCIATES LTD.	NY	N 500,000	DILLON	NORTHEAST	APPROVED	500,000	10/21/81
10/01/81	09/30/81	02/02-0361	WOOD RIVER CAPITAL CORP.	NY	N 3,000,000	DILLON	NORTHEAST	APPROVED	1,000,000	10/21/81
10/26/81	10/14/81	02/02-0399	NORO CAPITAL CORPORATION	NY	N 1,000,000	DILLON	NORTHEAST	APPROVED	1,000,000	11/03/81
10/30/81	10/26/81	02/02-0076	BENEFICIAL CAPITAL CORP.	NY	N&R 600,000	DILLON	NORTHEAST	APPROVED	600,000	12/11/81
10/30/81	10/26/81	02/02-0315	FIFTY-THIRD ST. VENTURES, INC.	NY	N 2,460,000	DILLON	NORTHEAST	APPROVED	2,460,000	11/05/81
11/03/81	10/30/81	02/02-0383	S & S VENTURES ASSOCIATES, INC.	NY	N 500,000	DILLON	NORTHEAST	APPROVED	500,000	11/05/81
11/23/81	11/12/81	02/02-0295	BT CAPITAL CORP.	NY	N 3,000,000	DILLON	NORTHEAST	APPROVED	1,000,000	12/11/81
11/25/81	11/20/81	02/02-0269	EQUILEASE CAPITAL CORP.	NY	N 2,500,000	DILLON	NORTHEAST	APPROVED	1,000,000	12/11/81
11/30/81	11/25/81	01/01-0299	BOSTON HAMBRO CAPITAL COMPANY	MA	N 2,000,000	DILLON	NORTHEAST	APPROVED	1,000,000	12/11/81
12/01/81	11/25/81	02/02-0366	EDWARDS CAPITAL COMPANY	NY	N 600,000	DILLON	NORTHEAST	APPROVED	600,000	12/11/81
12/01/81	11/30/81	01/01-0027	UST CAPITAL CORPORATION	MA	N 200,000	DILLON	NORTHEAST	APPROVED	200,000	12/11/81
12/01/81	11/30/81	02/02-0357	ATALANTA INVESTMENT CO., INC.	NY	N 2,000,000	DILLON	NORTHEAST	RETURNED		
12/24/81	12/10/81	02/02-0355	EUROPEAN DEVELOPMENT CAP. CORP.	NY	N 1,000,000	DILLON	NORTHEAST	RETURNED		
12/30/81	12/28/81	02/02-0269	EQUILEASE CAPITAL CORP.	NY	N 4,000,000	DILLON	NORTHEAST	APPROVED	1,000,000	01/19/82
12/31/81	12/28/81	02/02-0361	WOOD RIVER CAPITAL CORPORATION	NY	N 3,000,000	DILLON	NORTHEAST	RETURNED		01/15/82
01/04/82	12/30/81	02/02-0357	ATALANTA INVESTMENT CO., INC.	NY	N 2,000,000	DILLON	NORTHEAST	APPROVED	1,000,000	01/ /82
01/04/82	12/29/81	02/02-0366	EDWARDS CAPITAL COMPANY	NY	N 600,000	DILLON	NORTHEAST	APPROVED	600,000	01/19/82
01/04/82	12/30/81	02/02-0409	COLLEGE VENTURE EQUITY CORP.	NY	N 1,000,000	DILLON	NORTHEAST	RETURNED		01/15/82
01/04/82	12/30/81	02/02-0295	BT CAPITAL CORPORATION	NY	N 2,000,000	DILLON	NORTHEAST	APPROVED	1,000,000	01/19/82
01/04/82	12/29/81	02/02-0410	CLINTON CAPITAL CORPORATION	NY	N 600,000	DILLON	NORTHEAST	RETURNED		
01/05/82	01/04/82	02/02-0040	MIDLAND VENTURE CAPITAL LIMITED	NY	N 5,000,000	DILLON	NORTHEAST	APPROVED	1,000,000	01/19/82
01/18/82	01/11/82	02/02-0151	FAIRFIELD EQUITY CORP.	NY	R 200,000	DILLON	NORTHEAST	APPROVED	200,000	02/12/82
01/21/82	01/18/82	01/01-0285	CAPITAL RESOURCE CO. OF CONN.	CT	N&R 600,000	DILLON	NORTHEAST	APPROVED	600,000	02/12/82
01/27/82	01/18/82	02/02-0409	COLLEGE VENTURE EQUITY CORP.	NY	N 620,000	DILLON	NORTHEAST	APPROVED	620,000	02/12/82
01/27/82	01/22/82	02/02-0310	N I S CAPITAL CORP.	NY	R 500,000	DILLON	NORTHEAST	APPROVED	500,000	03/15/82
01/28/82	01/15/82	02/02-0403	EAB VENTURE CORP.	NY	N 1,000,000	DILLON	NORTHEAST	APPROVED	1,000,000	02/12/82
01/29/82	01/28/82	02/02-0410	CLINTON CAPITAL CORPORATION	NY	N 600,000	DILLON	NORTHEAST	APPROVED	600,000	02/12/82
01/29/82	01/27/82	02/02-0013	THE FIRST CONNECTICUT SBIC	CT	N 950,000	DILLON	NORTHEAST	APPROVED	950,000	02/12/82
02/01/82	01/27/82	02/02-0361	WOOD RIVER CAPITAL CORPORATION	NY	N 1,500,000	DILLON	NORTHEAST	APPROVED	1,000,000	02/12/82
02/01/82	01/29/82	02/01-0035	LINCOLN CAPITAL CORPORATION	NY	N 1,080,000	DILLON	NORTHEAST	APPROVED	720,000	02/12/82
02/12/82	01/28/82	02/02-0269	EQUILEASE CAPITAL CORP.	NY	N 3,000,000	DILLON	NORTHEAST	DENIED		02/12/82
02/26/82	02/24/82	02/02-0390	CORNELL CAPITAL CORP.	NY	N 558,000	DILLON	NORTHEAST	APPROVED	558,000	03/15/82
02/26/82	02/15/82	02/02-0403	EAB VENTURE CORP.	NY	N 1,000,000	DILLON	NORTHEAST	DENIED - BUDGET		03/15/82
02/26/82	02/24/82	02/02-0410	CLINTON CAPITAL CORP.	NY	N 650,000	DILLON	NORTHEAST	DENIED - BUDGET		03/15/82
03/01/82	02/25/82	02/02-0366	EDWARDS CAPITAL COMPANY	NY	N 600,000	DILLON	NORTHEAST	DENIED - BUDGET		03/15/82

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03/02/82	02/26/82	02/02-0357	ATALANTA INVESTMENT CO., INC.	NY	N	500,000	DILLON	NORTHEAST	DENIED - BUDGET		03/15/82
03/15/82	03/09/82	02/02-0151	FAIRFIELD EQUITY CORPORATION	NY	R	400,000	DILLON	NORTHEAST	APPROVED	400,000	04/22/82
03/30/82	03/24/82	02/02-0370	AMEV CAPITAL CORPORATION	NY	N	1,000,000	DILLON	NORTHEAST	APPROVED	1,000,000	04/22/82
03/30/82	03/25/82	02/02-0403	EAB VENTURE CORP.	NY	N	1,000,000	DILLON	NORTHEAST	APPROVED	1,000,000	04/22/82
03/30/82	03/29/82	02/02-0409	COLLEGE VENTURE EQUITY CORP.	NY	N	640,000	DILLON	NORTHEAST	DENIED		04/22/82
03/31/82	03/31/82	02/02-0357	ATALANTA INVESTMENT CO.,INC.	NY	N	1,000,000	DILLON	NORTHEAST	NONE		
04/01/82	03/29/82	02/02-0361	WOOD RIVER CAPITAL CORP.	NY	N	1,500,000	DILLON	NORTHEAST	RETURNED AND REPLACED BY NEW APPL.		
04/01/82	03/05/82	02/02-0292	WINFIELD CAPITAL CORP.	NY	R	600,000	DILLON	NORTHEAST	APPROVE	600,000	04/22/82
04/01/82	03/29/82	02/02-0040	MIDLAND VENTURE CAPITAL LIMITED	NY	N	3,000,000	DILLON	NORTHEAST	APPROVED	1,000,000	04/22/82
04/01/82	03/25/82	02/02-0410	CLINTON CAPITAL CORP.	NY	N	650,000	DILLON	NORTHEAST	APPROVED	500,000	04/22/82
04/01/82	03/26/82	02/02-0180	CMNY CAPITAL COMPANY, INC.	NY	N&R	1,700,000	DILLON	NORTHEAST	APPROVED	1,700,000	04/22/82
04/01/82	03/30/82	01/01-0003	NARRAGANSETT CAPITAL CORP.	RI	R	2,500,000	DILLON	NORTHEAST	APPROVED	2,500,000	04/22/82
04/01/82	03/30/82	01/01-0018	MASSACHUSETTS CAPITAL CORP.	MA	N	750,000	DILLON	NORTHEAST	RETURNED		04/19/82
04/01/82	03/30/82	01/01-0305	CHESTNUT CAPITAL CORP.	MA	N	1,500,000	DILLON	NORTHEAST	APPROVED	1,500,000	05/11/82
04/05/82	03/24/82	01/01-0027	UST CAPITAL CORP.	MA	N	500,000	DILLON	NORTHEAST	APPROVED	500,000	04/22/82
04/16/82	04/05/82	01/01-0072	VERMONT INVESTMENT CAP., INC.	VT	R	200,000	DILLON	NORTHEAST	APPROVED	200,000	05/11/82
05/03/82	04/29/82	02/02-0366	EDWARDS CAPITAL CORP.	NY	N	600,000	DILLON	NORTHEAST	APPROVED	600,000	05/11/82
05/04/82	04/28/82	02/02-0295	BT CAPITAL CORPORATION	NY	N	2,000,000	DILLON	NORTHEAST	APPROVED	1,500,000	05/11/82
05/25/82	05/21/82	02/02-0355	EUROPEAN DEVELOPMENT CAP. CORP.	NY	N	1,000,000	DILLON	NORTHEAST	REGULATORY PROBLEMS		
05/28/82	05/24/82	02/02-0269	EQUILEASE CAPITAL CORPORATION	NY	N	3,000,000	DILLON	NORTHEAST	APPROVED	1,500,000	06/14/82
06/03/82	06/01/82	02/02-0040	MIDLAND VENTURE CAPITAL LIMITED	NY	N	2,000,000	DILLON	NORTHEAST	APPROVED	500,000	06/14/82
06/25/82	06/25/82	02/02-0403	EAB VENTURE CORP.	NY	N	2,000,000	FRIESS	NORTHEAST	APPROVED	2,000,000	07/13/82
06/28/82	06/23/82	01/01-0277	MARCON CAPITAL CORPORATION	CT	N	450,000	FRIESS	NORTHEAST	APPROVED	450,000	07/13/82
06/29/82	06/10/82	02/02-0310	NIS CAPITAL CORPORATION	NY	N	500,000	FRIESS	NORTHEAST	APPROVED		08/10/82
06/30/82	06/22/82	02/02-0366	EDWARDS CAPITAL COMPANY	NY	N	600,000	FRIESS	NORTHEAST	APPROVED	600,000	07/13/82
06/30/82	06/28/82	02/02-0269	EQUILEASE CAPITAL CORPORATION	NY	N	3,000,000	FRIESS	NORTHEAST	APPROVED	3,000,000	07/13/82
07/01/82	06/25/82	02/02-0361	WOOD RIVER CAPITAL CORPORATION	NY	N	5,000,000	FRIESS	NORTHEAST	DENIED		07/12/82
07/01/82	06/29/82	01/02-0029	ASSET CAP. & MANAGEMENT CORP.	NY	N	250,000	FRIESS	NORTHEAST	DENIED		07/12/82
07/28/82	07/08/82	01/01-0067	FLEET VENTURE RESOURCES, INC.	PI	N	1,500,000	FRIESS	NORTHEAST	APPROVED	1,000,000	08/10/82
07/29/82	07/23/82	02/02-0370	AMEV CAPITAL CORPORATION	NY	N	3,000,000	FRIESS	NORTHEAST	APPROVED	1,500,000	08/10/82
07/29/82	07/26/82	02/02-0410	CLINTON CAPITAL CORP.	NY	N	1,050,000	FRIESS	NORTHEAST	APPROVED		08/10/82
08/04/82	07/29/82	01/02-0029	ASSET CAPITAL & MANAGEMENT CO.	CT	N	250,000	FRIESS	NORTHEAST	NONE		
08/18/82	08/10/82	01/01-0072T	VERMONT INVESTMENT CAPITAL, INC.	VT	N	125,000	FRIESS	NORTHEAST	APPROVED		09/20/82
08/27/82	08/25/82	02/02-0415	QUESTECH CAPITAL CORPORATION	NY	N	2,000,000	FRIESS	NORTHEAST	2,000,000		09/20/82
08/31/82	08/16/82	02/02-0413	HOLDING CAPITAL CORP.	NY	N	600,000	FRIESS	NORTHEAST	NONE		
08/31/82	08/26/82	02/02-0410	CLINTON CAPITAL CORPORATION	NY	N	900,000	FRIESS	NORTHEAST	APPROVED		09/20/82

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08/31/82	08/30/82	01/01-0316	ADVENT IV CAPITAL COMPANY	MA	N	6,000,000	FRIESS	NORTHEAST	APPROVED		09/20/82
08/31/82	08/25/82	02/02-0269	EQUILEASE CAPITAL CORPORATION	NY	N	3,000,000	FRIESS	NORTHEAST	APPROVED		09/20/82
09/01/82	08/26/82	02/02-0366	EDWARDS CAPITAL COMPANY	NY	N	600,000	FRIESS	NORTHEAST	APPROVED		09/20/82
09/01/82	08/24/82	01/01-0285	CAPITAL RESOURCE COMPANY OF CT	CT	N	900,000	FRIESS	NORTHEAST	APPROVED		09/20/82
09/03/82	09/01/82	02/02-0357	ATALANTA INVESTMENT CO.,INC.	NY	N	2,000,000	FRIESS	NORTHEAST	RETURNED		09/13/82
09/07/82	08/30/82	01/01-0027	UST CAPITAL CORP.	MA	N	727,000	FRIESS	NORTHEAST	DENIED		09/16/82
09/07/82	08/30/82	02/02-0361	WOOD RIVER CAPITAL CORPORATION	NY	N	4,000,000	FRIESS	NORTHEAST	NONE		
09/27/82	09/17/82	02/02-0355	EUROPEAN DEVELOPMENT CAP. CORP.	NY	N	1,000,000	FRIESS	NORTHEAST	NONE		
10/06/82	10/04/82	02/02-0380	TLC FUNDING CORP.	NY	N	700,000	FRIESS	NORTHEAST	NONE		
10/26/81	10/26/81	06/06-0224	FLUID CAPITAL CORPORATION	NM	N	1,000,000	WILKINSON	WEST	APPROVED	1,000,000	11/25/81
11/03/81	10/30/81	10/13-0008	WASHINGTON CAPITAL CORPORATION	WA	N	1,450,000	WILKINSON	WEST	APPROVED	1,450,000	11/25/81
11/18/81	10/26/81	09/09-0239	BRENTWOOD CAPITAL CORP.	CA	N	3,000,000	WILKINSON	WEST	DENIED		12/10/81
11/30/81	11/16/81	10/10-0161	FIRST IDAHO VENTURE CAP. CORP.	ID	N	1,000,000	WILKINSON	WEST	APPROVED	1,000,000	12/11/81
12/01/81	11/23/81	09/09-0170	ASSET MANAGEMENT CAPITAL CO.	CA	N	1,250,000	WILKINSON	WEST	APPROVED	1,000,000	12/11/81
12/01/81	11/30/81	06/06-0220	LIVINGSTON CAPITAL LTD.	TX	N	950,000	WILKINSON	WEST	DENIED		12/10/81
12/07/81	12/03/81	09/09-0209	BUILDERS CAPITAL CORP.	CA	N	1,000,000	WILKINSON	WEST	DENIED - BUDGET		01/19/82
12/22/81	12/21/81	08/08-0043	ENERVEST, INC.	CO	N	500,000	WILKINSON	WEST	RETURNED		01/12/82
12/30/81	12/21/81	09/09-0184	GROCERS CAPITAL COMPANY	CA	N	1,000,000	WILKINSON	WEST	RETURNED		01/06/82
01/04/82	12/08/81	06/06-0236	AMERICAN ENERGY INV. CORP.	TX	N	2,500,000	WILKINSON	WEST	RETURNED		01/06/82
01/04/82	12/31/81	09/09-0224	FIRST INTERSTATE CAPITAL, INC.	CA	N	5,000,000	WILKINSON	WEST	RETURNED		01/06/82
01/19/82	01/11/82	09/09-0289	ROCKY MOUNTAIN EQUITY CORP.	ARIZ	N	500,000	WILKINSON	WEST	RETURNED		01/XX/82
01/22/82	12/21/81	08/08-0043	ENERVEST, INC.	COLO	N/R	500,000	WILKINSON	WEST	APPROVED	500,000	02/12/82
01/27/82	01/15/82	06/10-0057	RICE INVESTMENT CO.	TX	N	1,000,000	WILKINSON	WEST	RETURNED		01/XX/82
01/27/82	12/08/81	06/06-0236	AMERICAN ENERGY INVESTMENT CORP.	TX	N	2,500,000	WILKINSON	WEST	APPROVED	1,000,000	02/12/82
01/28/82	01/26/82	09/09-0239	BRENTWOOD CAPITAL CORPORATION	CA	N	1,500,000	WILKINSON	WEST	APPROVED	1,000,000	02/12/82
01/28/82	01/26/82	06/06-0220	LIVINGSTON CAPITAL LTD.	TX	N	950,000	WILKINSON	WEST	APPROVED	950,000	02/12/82
01/28/82	01/27/82	06/10-0150	CAPITAL MARKETING CORPORATION	TX	N	1,000,000	WILKINSON	WEST	RETURNED		01/XX/82
01/29/82	12/21/81	09/09-0184	GROCERS CAPITAL COMPANY	TX	N	500,000	WILKINSON	WEST	APPROVED	500,000	02/12/82
01/29/82	01/25/82	10/10-0161	FIRST IDAHO VENTURE CAP. CORP.	TX	N	01/25/82	WILKINSON	WEST	DENIED		02/12/82
02/01/82	01/22/82	09/09-0224	FIRST INTERSTATE CAPITAL, INC.	CA	N	1,500,000	WILKINSON	WEST	APPROVED	1,000,000	03/15/82
02/01/82	01/28/82	09/09-0211	FLORISTS CAPITAL CORPORATION	CA	N	500,000	WILKINSON	WEST	DENIED		02/12/82
02/25/82	02/16/82	09/14-0037	SAN JOAQUIN CAPITAL CORP.	CA	N	680,000	WILKINSON	WEST	APPROVED	680,000	03/15/82
03/02/82	02/25/82	09/09-0235	UNIVERSAL INVESTMENT CORP.	NEV	N	400,000	WILKINSON	WEST	APPROVED	400,000	04/22/82

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03/22/82	03/03/82	06/10-0065	CSC CAPITAL CORPORATION	TX	R	1,000,000	WILKINSON	WEST	APPROVED	1,000,000	04/22/82
03/24/82	03/16/82	09/14-0037	SAN JOAQUIN CAPITAL CORP.	CA	R	200,000	WILKINSON	WEST	APPROVED	200,000	04/22/82
03/30/82	03/24/82	06/06-0236	AMERICAN ENERGY INV. CORP.	TX	N	1,500,000	WILKINSON	WEST	APPROVED	1,000,000	04/22/82
04/01/82	03/26/82	06/10-0004	TEXAS CAPITAL CORPORATION	TX	R	800,000	WILKINSON	WEST	APPROVED	800,000	04/22/82
04/01/82	03/30/82	10/13-0008	WASHINGTON CAPITAL CORPORATION	WA	R	600,000	WILKINSON	WEST	APPROVED	600,000	04/22/82
04/01/82	03/30/82	09/09-0224	FIRST INTERSTATE CAPITAL, INC.	CA	N	1,500,000	WILKINSON	WEST	APPROVED	1,000,000	04/22/82
05/03/82	04/27/82	09/09-0289	ROCKY MOUNTAIN EQUITY CORP.	ARIZ	N	500,000	WILKINSON	WEST	APPROVED	500,000	05/11/82
05/03/82	04/28/82	10/10-0161	FIRST IDAHO VC CORP.	IDAHO	N	500,000	WILKINSON	WEST	APPROVED	500,000	05/11/82
05/03/82	04/12/82	09/02-0124	REAL ESTATE CAPITAL CORP.	CA	N&R	500,000	WILKINSON	WEST	RETURNED		05/06/82
05/03/82	04/26/82	10/10-0057	RICE INVESTMENT COMPANY	TX	N	1,000,000	WILKINSON	WEST	APPROVED	1,000,000	05/11/82
05/03/82	04/26/82	09/09-0239	BRENTWOOD CAPITAL CORP.	CA	N	1,500,000	WILKINSON	WEST	APPROVED	1,500,000	05/11/82
05/04/82	04/30/82	06/06-0209	RUST CAPITAL, LTD.	TX	N	1,000,000	WILKINSON	WEST	RETURNED		05/05/82
05/20/82	05/12/82	06/06-0236	AMERICAN ENERGY INVESTMENT CORP.	TX	N	500,000	WILKINSON	WEST	APPROVED		06/14/82
05/24/82	05/19/82	09/09-0224	FIRST INTERSTATE CAPITAL	CA	N	500,000	WILKINSON	WEST	APPROVED		06/14/82
06/22/82	06/02/82	09/09-0226	WEST COAST VENTURE	CA	N	1,500,000	WILKINSON	WEST	DENIED		07/12/82
06/29/82	06/18/82	09/14-0085	OCEANIC CAPITAL CORPORATION	CA	N	110,000	WILKINSON	WEST	DENIED		07/13/82
06/30/82	06/28/82	09/13-0007	MENLO VENTURE CORPORATION	CA	N	1,500,000	WILKINSON	WEST	APPROVED	1,500,000	07/13/82
07/01/82	06/28/82	09/09-0209	BUILDERS CAPITAL CORP.	CA	N	1,000,000	WILKINSON	WEST	NONE		
07/01/82	06/28/82	09/09-0211	FLORIST'S CAPITAL CORPORATION	CA	N	500,000	WILKINSON	WEST	DENIED		07/12/82
07/02/82	06/30/82	09/09-0224	FIRST INTERSTATE CAPITAL, INC.	CA	N	3,000,000	WILKINSON	WEST	DENIED		07/12/82
07/29/82	07/20/82	09/09-0287	BAY VENTURE GROUP	CA	N	1,000,000	WILKINSON	WEST	APPROVED		09/20/82
07/29/82	07/26/82	09/09-0239	BRENTWOOD CAPITAL CORP.	CA	N	3,000,000	WILKINSON	WEST	DENIED		08/10/82
07/30/82	07/28/82	09/09-0226	WEST COAST VENTURE CAPITAL	CA	N	1,500,000	WILKINSON	WEST	DENIED (SEE ENTRY 8/31/82)		08/82
08/27/82	08/27/82	09/09-0292	CALIFORNIA CAP. INVESTORS, LTD.	CA	N	1,000,000	WILKINSON	WEST	APPROVED		09/20/82
08/27/82	08/27/82	06/06-0228	RETAIL CAPITAL CORP.	TX	N	500,000	WILKINSON	WEST	APPROVED		09/20/82
08/31/82	08/30/82	06/06-0209	RUST CAPITAL, LTD.	TX	N	3,000,000	WILKINSON	WEST	NONE		
08/31/82	08/16/82	09/14/0079	DEVELOPERS EQUITY CAPITAL CORP.	CA	N	400,000	WILKINSON	WEST	APPROVED		09/20/82
08/31/82	08/25/82	09/09-0226	WEST COAST VENTURE CAPITAL	CA	N	2,400,000	WILKINSON	WEST	APPROVED		09/20/82
09/01/82	08/27/82	09/09-0300	HAMCO CAPITAL CORPORATION	CA	N	1,000,000	WILKINSON	WEST	APPROVED		09/20/82
09/03/82	08/23/82	09/09-0195	SAN JOSE CAPITAL CORPORATION	CA	N	1,000,000	WILKINSON	WEST	DENIED		09/17/82
09/03/82	08/31/82	09/09-0209	BUILDERS CAPITAL CORPORATION	CA	N	1,000,000	WILKINSON	WEST	RETURNED		09/13/82
09/03/82	08/30/82	06/10-0150	CAPITAL MARKETING CORPORATION	TX	N	1,000,000	WILKINSON	WEST	APPROVED		09/20/82
09/03/82	09/02/82	06/06-0224	FLUID CAPITAL CORPORATION	MN	N	750,000	WILKINSON	WEST	DENIED		09/16/82
09/03/82	08/25/82	06/10-0056	INTERFIRST VENTURE CORPATATION	TX	N&R	7,000,000	WILKINSON	WEST	DENIED		09/17/82
09/03/82	08/30/82	06/10-0152	BRITTANY CAPITAL CORPORATION	TX	N	300,000	WILKINSON	WEST	DENIED		09/16/82
09/29/82	09/23/82	09/09-0288	NEW WEST PARTNERS	CA	N	600,000	WILKINSON	WEST	NONE		

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09/30/82	09/30/82	06/06-0209	RUST CAPITAL, LTD.	TX	N	3,000,000	WILKINSON	WEST	NONE		
10/01/82	09/21/82	09/09-0262	ROUND TABLE CAPITAL CORP.	CA	N	600,000	WILKINSON	WEST	NONE		
10/04/82	09/28/82	06/06-0244	SBI CAPITAL CORP.	TX	N	1,000,000	WILKINSON	WEST	NONE		
10/06/82	10/04/82	06/10-0150	CAPITAL MARKETING CORPORATION	TX	N	2,000,000	WILKINSON	WEST	NONE		
10/06/82	09/28/82	06/06-0244	SBI CAPITAL CORPORATION	TX	N	1,000,000	WILKINSON	WEST	NONE		
09/01/81	08/19/81	04/04-0146	PEACHTREE CAPITAL CORPORATION	GA	N	280,000	KLAPP	SOUTHEAST	RETURNED-UNDER INVESTIG.		01/15/82
10/06/81	09/25/81	04/04-0183	WESTERN FINANCIAL CAP. CORP.	FL	N	980,000	KLAPP	SOUTHEAST	APPROVED	980,000	10/28/81
11/30/81	11/25/81	04/04-0110	INVESAT CORPORATION	MS	N	2,000,000	KLAPP	SOUTHEAST	DENIED		12/11/81
11/30/81	11/24/81	04/04-0191	SERVICO BUS. INVESTMENT CORP.	FL	N	500,000	KLAPP	SOUTHEAST	RETURNED		03/18/82
12/02/81	11/25/81	04/04-0143	FIRST SBIC OF ALABAMA	AL	N	600,000	KLAPP	SOUTHEAST	DENIED		12/11/81
12/08/81	11/25/81	04/04-0117	COASTAL CAPITAL COMPANY	AL	N	450,000	KLAPP	SOUTHEAST	APPROVED	450,000	01/19/82
12/22/81	12/18/81	02/02-0314	LLOYD CAPITAL CORPORATION	NJ	R	500,000	KLAPP	SOUTHEAST	RETURNED		12/29/81
12/30/81	12/28/81	04/04-0183	WESTERN FINANCIAL CAP. CORP.	FL	N	280,000	KLAPP	SOUTHEAST	NEED ADDITIONAL INFO		03/15/82
01/04/82	12/22/81	04/04-0042	CHARLESTON CAPITAL CORP.	SC	N	400,000	KLAPP	SOUTHEAST	RETURNED		01/81/82
01/04/82	12/30/81	04/04-0110	INVESAT CORPORATION	MS	N	2,000,000	KLAPP	SOUTHEAST	APPROVED	500,000	01/19/82
01/29/82	01/28/82	04/04-0188	J&D CAPITAL CORPORATION	FL	N	500,000	KLAPP	SOUTHEAST	RETURNED		02/04/82
02/24/82	01/27/82	04/05-0010	GOLD COAST CAPITAL CORP.	FL	N	300,000	KLAPP	SOUTHEAST	RETURNED		03/01/82
02/16/82	02/01/82	02/02-0088	MONMOUTH CAPITAL CORP.	NJ	R	200,000	KLAPP	SOUTHEAST	RETURNED		
02/24/82	12/22/81	04/04-0042	CHARLESTON CAPITAL CORP.	SC	N	400,000	KLAPP	SOUTHEAST	RETURNED		03/04/82
02/25/82	01/28/81 (?)	04/04-0188	J & D CAPITAL CORPORATION	FL	N	500,000	KLAPP	SOUTHEAST	APPROVED	500,000	03/15/82
02/25/82	02/20/82	04/04-0201	CAROLINA VENTURE CAPITAL CORP.	SC	N	500,000	KLAPP	SOUTHEAST	APPROVED	500,000	03/15/82
03/04/82	02/23/82	03/03-0062	OSHER CAPITAL CORPORATION	PA	R	50,000	KLAPP	SOUTHEAST	DENIED		04/22/82
03/01/82	02/22/82	02/02-0350	QUIDNET CAPITAL CORPORATION		N	500,000	KLAPP	SOUTHEAST	APPROVED	500,000	03/15/82
03/22/82	01/27/82	04/05-0010	GOLD COAST CAPITAL CORP.		N	300,000	KLAPP	SOUTHEAST	RETURNED		04/11/82
03/29/82	03/15/82	03/03-0040	CAPITAL CORPORATION OF AMERICA	PA	N	240,000	KLAPP	SOUTHEAST	APPROVED	240,000	04/22/82
03/30/82	03/19/82	04/05-0084	MOHE CAPITAL CORP.	GA	R	300,000	KLAPP	SOUTHEAST	APPROVED	300,000	04/22/82
03/30/82	03/29/82	04/05-0023	FIRST AMERICAN INV. CORP.	GA	R	5,390,000	KLAPP	SOUTHEAST	APPROVED	1,390,000	04/22/82
03/30/82	03/26/82	04/04-0047	HERITAGE CAPITAL CORP.	NC	N&R	1,500,000	KLAPP	SOUTHEAST	DENIED		04/22/82
04/01/82	03/24/82	03/04-0107	METROPOLITAN CAPITAL CORP.	VA	N&R	500,000	KLAPP	SOUTHEAST	APPROVED	500,000	04/22/82
04/01/82	03/29/82	04/05-0082	SBAC OF PANAMA CITY, FLORIDA	FL	R	1,660,000	KLAPP	SOUTHEAST	APPROVED	1,660,000	04/22/82
04/29/82	04/26/82	02/02-0405	UNICORN VENTURES, LTD.	NJ	N	750,000	KLAPP	SOUTHEAST	RETURNED		05/11/82
05/03/82	04/21/82	04/04-0191	SERVICO BUSINESS INVESTMENT CO.	FL	N	500,000	KLAPP	SOUTHEAST	APPROVED	500,000	05/11/82
07/29/82	07/16/82	04/05-0010	GOLD COAST CAPITAL CORP.	FL	N	250,000	KLAPP	SOUTHEAST	APPROVED		08/10/82

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08/02/82	07/28/82	04/04-0198	REEDY RIVER VENTURES, INC.	SC	N	600,000	KLAPP	SOUTHEAST	APPROVED		08/10/82
08/24/82	08/20/82	04/04-0183	WESTERN FINANCIAL CAP. CORP.	FL	N	860,000	KLAPP	SOUTHEAST	APPROVED		09/20/82
09/07/82	09/02/82	02/02-0405	UNICORN VENTURES, LTD.	NJ	N	1,500,000	KLAPP	SOUTHEAST	DENIED		09/16/82
09/07/82	09/01/82	04/04-0110	INVESAT CAPITAL CORP.	MS	N	1,000,000	KLAPP	SOUTHEAST	APPROVED FOR $500,000		09/20/82
09/07/82	09/01/82	03/03-0146	JAMES RIVER CAPITAL ASSOCIATES	VA	N	750,000	KLAPP	SOUTHEAST	NONE		
09/07/82	09/02/82	01/01-0300	ESLO CAPITAL CORPORATION	NJ	N	500,000	KLAPP	SOUTHEAST	APPROVED		09/20/82
09/07/82	08/31/82	04/04-0042	CHARLESTON CAPITAL CORPORATION	SC	N	400,000	KLAPP	SOUTHEAST	DENIED		09/15/82
09/07/82	08/31/82	04/04-0113	FINANCIAL OPPORTUNITIES, INC.	KY	N	700,000	KLAPP	SOUTHEAST	RETURNED		09/15/82
09/07/82	09/02/82	04/10-0086	DELTA CAPITAL, INCORPORATED	NC	N	1,000,000	KLAPP	SOUTHEAST	NONE		
09/10/82	09/02/82	04/10-0086	DELTA CAPITAL, INC.	NC	R	850,000	KLAPP	SOUTHEAST	DENIED		09/16/82
09/20/82	09/08/82	04/10-0086	DELTA CAPITAL, INC.	NC	N	435,000	KLAPP	SOUTHEAST	DENIED		09/16/82
10/04/82	10/01/82	02/02-0405	UNICORN VENTURES, LTD.	NJ	N	1,500,000	KLAPP	SOUTHEAST	NONE		
10/06/82	10/04/82	03/04-0065	TIDEWATER INDUSTRIAL CAP. CORP.	VA	N	300,000	KLAPP	SOUTHEAST	NONE		
10/28/81	10/27/81	05/08-0006	NORTHWEST GROWTH FUND, INC.	MN	N	3,000,000	NEWELL	MIDWEST	APPROVED	3,000,000	11/25/81
10/28/81	10/15/81	05/05-0112	INTERCAPCO, INC.	OH	N	1,500,000	NEWELL	MIDWEST	APPROVED	1,500,000	11/25/81
11/13/81	11/13/81	05/08-0002	FIRST MIDWEST CAP. CORP.	MN	R	700,000	NEWELL	MIDWEST	APPROVED	700,000	12/11/81
12/29/81	12/18/81	05/05-0147	BANDO-MCGLOCKLIN INV. CO., INC.	WI	N	1,500,000	NEWELL	MIDWEST	APPROVED	1,000,000	01/19/82
12/29/81	12/15/81	05/05-0137	NATIONAL CITY CAPITAL CORP.	OH	N	2,500,000	NEWELL	MIDWEST	APPROVED	1,000,000	01/19/82
01/04/82	12/29/81	06/06-0175	SMALL BUS. INVESTMENT CAP., INC.	ARK	N	1,150,000	NEWELL	MIDWEST	APPROVED	500,000	01/19/82
01/20/82	01/15/82	05/05-0143	GREATER MIAMI INV. SERV. INC.	OH	N	200,000	NEWELL	MIDWEST	DENIED		02/12/82
02/01/82	01/25/82	05/05-0114	FRONTENAC CAPITAL CORP.	IL	N	1,000,000	NEWELL	MIDWEST	APPROVED	1,000,000	03/15/82
02/01/82	01/25/82	05/05-0099	NORTH STAR VENTURES, INC.	MN	N	1,000,000	NEWELL	MIDWEST	APPROVED	1,000,000	03/15/82
02/01/82	01/27/82	05/05-0147	BANDO-MCGLOCKLIN INV. CO., INC.	WI	N	500,000	NEWELL	MIDWEST	DENIED		02/12/82
02/24/82	02/24/82	05/05-0117	CONTROL DATA CAPITAL CORP.	MN	N	1,500,000	NEWELL	MIDWEST	APPROVED	1,000,000	03/15/82
03/01/82	02/16/82	05/07-0023	CLARION CAPITAL CORPORATION	OH	N	750,000	NEWELL	MIDWEST	NONE - AGREEMENT UNDER REVIEW		03/15/82
03/01/82	02/22/82	05/05-0112	INTERCAPCO, INC.	OH	N	1,500,000	NEWELL	MIDWEST	DENIED - BUDGET		03/15/82
03/29/82	03/23/82	06/06-0175	SMALL BUS. INV. CAP., INC.	AR	N	500,000	NEWELL	MIDWEST	APPROVED	500,000	04/22/82
03/29/82	03/24/82	05/05-0147	BANDO-MCGLOCKIN INV. CO., INC.	WISC	N	1,500,000	NEWELL	MIDWEST	APPROVED	1,000,000	04/22/82
03/29/82	03/16/82	05/15-0021	MICHIGAN CAPITAL&SERVICE, INC.	MICH	NR	1,200,000	NEWELL	MIDWEST	APPROVED	1,200,000	04/22/82
04/01/82	03/26/82	08/08-0034	DAKOTA FIRST CAPITAL CORP.	ND	N	300,000	NEWELL	MIDWEST	RETURNED 04/21/82		
04/01/82	03/25/82	06/06-0171	FIRST VENTURE CORPORATION	OK	N	1,000,000	NEWELL	MIDWEST	APPROVED	1,000,000	04/22/82
04/01/82	03/29/82	05/08-0006	NORTHWEST GROWTH FUND, INC.	MN	N&R	1,500,000	NEWELL	MIDWEST	APPROVED	1,500,000	04/22/82
04/05/82	03/30/82	07/07-0076	INTERCAPCO WEST, INC.	MO	N	500,000	NEWELL	MIDWEST	APPROVED	500,000	04/22/82

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04/07/82	03/29/82	05/10-0104	EAGLE VENTURES, INC.	MN	R	430,000	NEWELL	MIDWEST	APPROVED	430,000	04/22/82
04/14/82	04/01/82	05/07-0082	ABBOTT CAPITAL CORPORATION	IL	R	500,000	NEWELL	MIDWEST	RETURNED		04/20/82
05/03/82	04/29/82	05/05-0099	NORTH STAR VENTURES, INC.	MINN	N	750,000	NEWELL	MIDWEST	APPROVED	750,000	05/11/82
06/02/82	05/28/82	05/05-0099	NORTH STAR VENTURES, INC.	MN	N	750,000	NEWELL	MIDWEST	APPROVED		06/14/82
06/02/82	05/21/82	08/08-0034	DAKOTA FIRST CAPITAL CORP.	ND	N	400,000	NEWELL	MIDWEST	DENIED		06/14/82
06/02/82	06/02/82	05/05-0105	TOMLINSON CAPITAL CORP.	OH	R	150,000	NEWELL	MIDWEST	APPROVED	150,000	07/13/82
06/16/82	06/11/82		FIRST MIDWEST CAPITAL CORP.	MN	N&R	700,000	NEWELL	MIDWEST	APPROVED	200,000 REFUNDING	07/13/82
06/25/82	06/22/82	05/08-0018	NORTHLAND CAPITAL CORPORATION	MN	N&R	200,000	NEWELL	MIDWEST	RETURNED-DEFICIENT FILING		07/01/82
06/30/82	06/29/82	05/08-0006	NORTHWEST GROWTH FUND, INC.	MN	N	5,000,000	NEWELL	MIDWEST	APPROVED	3,000,000 BUDGET	07/13/82
07/26/82	07/23/82	05/05-0147	BANDO-MCGLOCKLIN INV. CO.,	WISC	N	3,000,000	NEWELL	MIDWEST	APPROVED FOR 1,500,000		09/20/82
07/26/82	07/21/82	05/15-0021	MICHIGAN CAPITAL&SERVICE,INC.	MICH	N	1,000,000	NEWELL	MIDWEST	APPROVED	500,000 BUDGET	08/10/82
08/04/82	07/26/82	06/06-0171	FIRST VENTURE CORPORATION	OK	N	1,000,000	NEWELL	MIDWEST	NONE		
08/18/82	08/01/82	05/05-0112	INTERCAPCO INC.	MI	N	1,500,000	NEWELL	MIDWEST	APPROVED		09/20/82
08/27/82	08/25/82	05/05-0154	HERITAGE VENTURE GROUP, INC.	IN	N	1,770,000	NEWELL	MIDWEST	DENIED		09/20/82
08/31/82	08/27/82	05/05-0099	NORTH STAR VENTURES, INC.	MN	N&R	1,500,000	NEWELL	MIDWEST	NONE		
08/31/82	08/27/82	05/05-0117	CONTROL DATA CAPITAL CORP.	MN	N	2,500,000	NEWELL	MIDWEST	APPROVED FOR 2,000,000		09/20/82
09/03/82	08/31/82	06/06-0171	FIRST VENTURE CORPORATION	OK	N	900,000	NEWELL	MIDWEST	HOLD FOR EXAM		09/23/82
09/03/81	08/27/82	05/05-0157	SHARED VENTURES, INC.	MN	N	500,000	NEWELL	MIDWEST	APPROVED		09/20/82
09/29/82	09/23/82	05/08-0018	NORTHLAND CAPITAL CORPORATION	MN	N&R	400,000	NEWELL	MIDWEST	APPROVED		
10/01/82	09/30/82	05/05-0147	BANDO-MCGLOCKLIN INV.CO., INC.	WI	N	1,500,000	NEWELL	MIDWEST	NONE		
10/01/82	09/22/82	06/06-0200	SAVINGS VENTURE CAPITAL CORP.	LA	R	750,000	NEWELL	MIDWEST	NONE		

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01/30/81	01/23/81	02/02-0361	WOOD RIVER CAPITAL CORP.	N.Y.	N	4,000,000	FRIESS	2	RETURNED	06/02/81
01/30/81	01/30/81	02/02-0357	ATALANTA INVESTMENT CO.	N.Y.	N	2,000,000	FRIESS	2	RETURNED	06/02/81
02/10/81	02/10/81	02/02-0151	FAIRFIELD EQUITY CORPORATION	N.Y.	R	1,000,000	FRIESS	2	APRIL REFUNDING(APPROVED)	03/27/81
02/27/81	02/26/81	02/02-0395	E.S. ONE CAPITAL CORF.	N.Y.	N	3,600,000	FRIESS	2	RETURNED	06/02/81
03/02/81	02/18/81	02/02-0102	HANOVER CAPITAL CORP.	N.Y.	R	300,000	FRIESS	2	APRIL REFUNDING(REPAID)	04/21/81
10/29/80	10/15/80	02/02-0387	FINEVALOR CAPITAL CORP.	N.Y.	N	1,000,000	FRIESS	2	RETURNED	06/02/81
03/24/81	03/17/81	02/02-0380	TLC FUNDING CORP.	N.Y.	N	700,000	FRIESS	2	RETURNED	06/02/81
03/26/81	03/23/81	02/02-0375	SHERWOOD CAPITAL CORPORATION	N.Y.	N	500,000	FRIESS	2	RETURNED	06/02/81
03/27/81	03/24/81	02/02-0209	TAPPAN ZEE CAPITAL CORP.	N.Y.	R	180,000	FRIESS	2	APRIL REFUNDING(APPROVED)	04/20/81
03/27/81	03/24/81	02/02-0209	TAPPAN ZEE CAPITAL CORP.	N.Y.	N	300,000	FRIESS	2	RETURNED	06/02/81
03/13/81	03/13/81	02/02-0095	SOUTHERN TIER CAP. CORF.	N.Y.	R	300,000	FRIESS	2	APRIL REFUNDING(APPROVED)	03/27/81
03/31/81	03/30/81	02/02-0194	INTERCOASTAL CAPITAL CORP.	N.Y.	R	320,000	FRIESS	2	APRIL REFUNDING(APPROVED)	04/06/81
04/06/81	03/31/81	02/02-0357	ATALANTA INV. CO. INC.	N.Y.	N	3,000,000	FRIESS	2	RETURNED	06/02/81
04/01/81	03/24/81	02/02-0180	CMNY CAFITAL COMP.,INC.	N.Y.	R	1,500,000	FRIESS	2	APRIL REFUNDING(APPROVED)	04/13/81
04/28/81	04/21/31	02/02-0370	AMEV CAFITAL CORPORATION	N.Y.	N	2,000,000	FRIESS	2	RETURNED	06/02/31
04/30/81	04/28/81	02/02-0410	CLINTON CAFITAL CORPORATION	N.Y.	N	600,000	FRIESS	2	RETURNED	06/02/31
06/09/31	06/05/81	02/02-0357	ATALANTA INVESTMENT CO. INC.	N.Y.	N	1,000,000	FRIESS	2	APFROVED FOR AUG. FUNDING	07/10/81
06/24/81	06/19/31	02/02/0370	AMEV CAFITAL CORPORATION	N.Y.	N	1,000,000	FRIESS	2	APFROVED FOR AUG. FUNDING	07/10/81
06/26/81	06/25/81	02/02-0410	CLINTON CAPITAL CORFORATION	N.Y.	N	600,000	FRIESS	2	APFROVED FOR AUG. FUNDING	07/10/31
06/30/81	06/29/81	02/02-0395	E.S. ONE CAFITAL CORFORATION	N.Y.	N	1,000,000	FRIESS	2	APFROVED FOR AUG. FUNDING	07/10/81
06/30/81	06/25/81	02/02-0383	S&S VENTURES ASSOCIATES LTD.	N.Y.	N	500,000	FRIESS	2	AFROVED FOR AUG. FUNDING	07/10/81
06/30/81	06/17/81	02/02-0361	WOOD RIVER CAPITAL CORPORATION	N.Y.	N	1,000,000	FRIESS	2	APFROVED FOR AUG. FUNDING	07/10/81
07/01/81	06/23/81	02/02-0209	TAPPAN ZEF CAFITAL CORPORATION	N.Y.	R	300,000	FRIESS	2	APFROVED FOR AUG. REFUNDING	07/10/81
07/01/81	06/18/81	02/02-0403	EAB VENTURE CORP.	N.Y.	N	750,000	FRIESS	2	APFROVED FOR AUG. FUNDING	07/10/81
07/01/81	06/22/81	02/02-0390	CORNELL CAPITAL CORPORATION	N.Y.	N	540,000	FRIESS	2	APFROVED FOR AUG. FUNDING	07/10/81
07/02/81	06/26/81	02/02-0354	INT'L FILM INVESTORS, INC.	N.Y.	N	1,000,000	FRIESS	2	APFROVED FOR AUG. FUNDING	07/10/81
07/02/81	06/23/81	02/02-0375	SHERWOOD BUSINESS CAP. CORF.	N.Y.	N	500,000	FRIESS	2	APFROVED FOR AUG. FUNDING	07/10/81
07/13/81	06/16/81	02/02-0380	TLC FUNDING CORF.	N.Y.	N	700,000	FRIESS	2	APFROVED FOR AUG. FUNDING	07/10/81
08/20/81	08/12/81	02/02-0395	E.S. ONE CAFITAL CORF.	N.Y.	N	2,625,000	FRIESS	2	2,000,000 APPROVED FOR SEFT.	09/14/81
08/31/81	08/27/81	02/02-0366	EDWARDS CAPITAL COMFANY	N.Y.	N	900,000	FRIESS	2	APFROVED FOR SEFT. FUNDING	09/04/31
09/01/81	08/21/81	02/02-0403	EAB VENTURE CORP.	N.Y.	N	1,250,000	FRIESS	2	APFROVED FOR SEFT. FUNDING	09/04/31
09/01/31	08/27/81	02/02-0361	WOOD RIVER CAFITAL CORP.	N.Y.	N	6,000,000	FRIESS	2	$3,000,000 APPROVED FOR SEFT.	09/14/31
09/01/31	08/31/81	02/02-0410	CLINTON CAPITAL CORF.	N.Y.	N	1,300,000	FRIESS	2	APFROVED FOR SEFT. FUNDING	09/04/31
09/01/81	08/31/81	02/02-0040	MIDLAND CAPITAL CORF.	N.Y.	R	1,200,000	N 800,000 (TOTAL 2,000,000)		APPROVED FOR SEFT.	09/10/81
10/01/81	09/24/81	02/02-0383	S & S VENTURES ASSOCIATES LTD.	N.Y.	N	500,000	FRIESS	2	NONE TRANSFERRED TO FY 1981 LOG	
10/01/81	09/30/81	02/02-0361	WOOD RIVER CAPITAL CORP.	N.Y.	N	3,000,000	FRIESS	2	NONE TRANSFERRED TO FY 1981 LOG	

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03/02/81	02/26/81	06/06-0200	SAVINGS VENTURE CAPITAL CORP.	LA.	N 1,200,000	DILLON	6&7	RETURNED	06/03/81
03/17/81	03/06/81	06/06-0227	BOW LANE CAPITAL CORPORATION	TEXAS	N 1,000,000	DILLON	6&7	RETURNED	06/03/81
07/07/80	06/30/80	06/10-0013	FIRST TEXAS INVESTMENT CO.	TEXAS	N 675,000	DILLON	6&7	UNDER INVESTIGATION	
03/26/81	03/23/81	06/10-0065	CSC CAPITAL CORP.	TEXAS	R 1,000,000	DILLON	6&7	APRIL REFUNDING(AFPROVED)	04/20/81
"	"	"	"	"	R 900,000	DILLON	6&7	APRIL REFUNDING(SBA ASSET)	
"	"	"	"	"	N 3,100,000	DILLON	6&7	RETURNED	
03/31/81	03/30/81	06/10-0124	COMMERCIAL CAPITAL CORP.	LA.	R 210,000	DILLON	6&7	APRIL REFUNDING(APPROVED)	04/14/81
03/31/81	03/30/81	06/10-0150	CAPITAL MARKETING CORP.	TEXAS	R 500,000	DILLON	6&7	APRIL REFUNDING(APPROVED)	04/20/81
04/07/81	03/31/81	06/10-0152	BRITTANY CAPIAL CORP.	TEXAS	N 625,000	DILLON	6&7	RETURNED	06/03/81
"	"	"	"	"	R 75,000	DILLON	6&7	RETURNED	06/03/81
04/08/81	04/07/81	06/10-0004	TEXAS CAPITAL CORPORATION	TEXAS	R 1,865,000	DILLON	6&7	APRIL REFUNDING(DENIED)	04/20/81
04/16/81	04/15/81	06/10-0022	FIRST CITY CAPITAL CORP.	TEXAS	N 790,000	DILLON	6&7	RETURNED	06/03/81
05/07/81	05/01/81	06/06-0229	SOUTHWEST CAP. INV. INC.	N.M.	R 500,000	DILLON	6&7	RETURNED	06/03/81
05/22/81	04/15/81	06/06-0224	FLUID CAPITAL CORP.	N.M.	N 1,000,000	DILLON	6&7	RETURNED	06/03/81
05/26/81	04/30/81	06/06-0239	MAPLELEAF CAPITAL CORP.	TEXAS	N 3,500,000	DILLON	6&7	RETURNED	06/03/81
06/19/81	05/11/81	06/06-0228	RETAIL CAPITAL CORP.	TEXAS	N 500,000	DILLON	6&7	DENIED	07/13/81
06/26/80	06/15/81	06/06-0239	MAPLELEAF CAPITAL CORP.	TEXAS	N 1,000,000	DILLON	6&7	DENIED	07/22/81
06/30/81	03/06/81	06/06-0227	BOW LANE CAPITAL CORPORATION	TEXAS	N 1,000,000	DILLON	6&7	AFPROVED FOR AUGUST FUNDING	07/22/81
06/30/81	05/01/81	06/06-0229	SOUTHWEST CAP. INV. INC.	N.M.	R 500,000	DILLON	6&7	DENIED	
06/30/81	03/26/81	06/06-0211	ENERGY ASSETS, INC.	TEXAS	N 500,000	DILLON	6&7	APPROVED FOR AUGUST FUNDING	07/24/81
07/01/81	06/29/81	06/06-0224	FLUID CAPITAL CORPORATION	N.M.	N 1,000,000	DILLON	6&7	APPROVED FOR AUG. FUNDING	07/15/81
07/01/81	06/23/81	06/10-0022	THE SBIC OF HOUSTON	TEXAS	N 520,000	DILLON	6&7	DENIED	
07/02/81	06/26/81	06/06-0200	SAVINGS VENTURE CAPITAL CORP.	LA	N 1,000,000	DILLON	6&7	DENIED	
07/02/81	06/19/81	06/10-0152	BRITTANY CAPITAL CORPORATION	TEXAS	N 325,000	DILLON	6&7	APPROVED FOR AUG. FUNDING	07/24/81
08/17/81	08/10/81	06/06-0200	SAVINGS VENTURE CAPITAL CORP.	LA	N 1,000,000	DILLON	6&7	APPROVED FOR SEPT. FUNDING	09/10/81
08/17/81	06/11/81	06/06-0228	RETAIL CAPITAL CORP.	TEXAS	N 500,0000	DILLON	6&7	APPROVED FOR SEPT. FUNDING	09/02/81
08/27/81	????????	06/06-0184	TSM CORP.	TEXAS	N 250,000	DILLON	6&7	APPROVED FOR SEPT. FUNDING	09/10/81
08/28/81	08/27/81	06/10-0004	TEXAS CAPITAL CORPORATION	TEXAS	N 3,300,000	DILLON	6&7	2,000,000 APPROVED FOR SEPT.	09/14/81
08/28/81	08/27/81	06/10-0022	FIRST CITY CAPITAL CORP.	TEXAS	N 790,000	DILLON	6&7	APPROVED FOR SEPT. FUNDING	09/10/81
09/01/81	08/26/81	06/10-0055	FIRST DALLAS CAPITAL CORP.	TEXAS	N 2,000,000	DILLON	6&7	WITHDRAWN	09/10/81
09/01/81	08/08/81	06/06-0239	MAPLELEAF CAPITAL CORP.	TEXAS	N 3,000,000	DILLON	6&7	2,000,000 APPROVED FOR SEPT.	09/14/81
09/01/81	08/28/81	06/06-0229	SOUTHWEST CAP. INVESTMENTS, INC.	NM	R 500,000	DILLON	6&7	APPROVED FOR SEPT. FUNDING	09/10/81
10/01/81	09/30/81	06/10-0065	CSC CAPITAL CORPORATION	TEXAS	N 3,000,000	DILLON	6&7	[illegible] APPROVED	10/21/81

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DATE REC'D	DATE APPL.	LICENSE NUMBER	LICENSEE NAME CITY / STATE			APPLICATION AMOUNT	CHIEF SURNAME	REGION NUMBER	DISPOSITION/COMMENTS	DISPOSITION DATE
3/05/81	02/27/81	04/04-0105	C & C CAPITAL CORPORATION	TENN.	N	500,000	DIMUZIO	3&4	HOLD	
03/16/81	02/23/81	04/04-0011	VICKSBURG SBIC	MISS.	R	70,000	DIMUZIO	3&4	APRIL REFUNDING(APPROVED)	04/06/81
03/17/81	02/24/81	03/03-0107	METROPOLITAN CAPITAL CORP.	VA.	R	600,000	DIMUZIO	3&4	APRIL REFUNDING(APPROVED)	03/30/81
03/23/81	03/17/81	04/04-0082	SBAC OF PANAMA CITY	FLA.	R	438,000	DIMUZIO	3&4	APRIL REFUNDING(SEE BELOW)	04/02/81
03/27/81	03/24/81	04/04-0189	KITTY HAWK CAPITAL, LTD.	N.C.	N	3,000,000	DIMUZIO	3&4	RETURNED	06/03/81
03/30/81	03/15/81	04/04-0021	LOW COUNTRY INV. CORP.	S.C.	R	300,000	DIMUZIO	3&4	APRIL REFUNDING(APPROVED)	04/02/81
03/31/81	03/26/81	04/04-0183	WESTERN FINANCIAL CAP.CORP.	ALA.	N	1,000,000	DIMUZIO	3&4	RETURNED	06/03/81
03/31/81	03/25/81	03/03-0050	FIDELITY AMERICA SBIC	PA.	R	260,000	DIMUZIO	3&4	APRIL REFUNDING(RETURNED)	04/03/81
04/03/81	04/02/81	04/04-0110	INVESAT CORPORATION	MISS.	N	1,200,000	DIMUZIO	3&4	RETURNED	06/03/81
03/26/81	02/28/81	04/04-0188	J&D CAPITAL CORP.	FLA.	N	450,000	DIMUZIO	3&4	APPROVED FOR AUG. FUNDING	07/21/81
04/02/81	03/23/81	04/04-0113	FINANCIAL OPPORTUNITIES, INC.	KY.	N	1,600,000	DIMUZIO	3&4	RETURNED	06/03/81
04/02/81	03/27/81	04/05-0082	SBAC OF PANAMA CITY	FLA.	R	896,500	DIMUZIO	3&4	APRIL REFUNDING(APPROVED)	04/20/81
04/13/81	03/31/81	04/10-0086	DELTA CAPITAL CORP.	N.C.	N	1,250,000	DIMUZIO	3&4	RETURNED	06/03/81
04/14/81	03/30/81	04/05-0028	FIDELITY CAPITAL CORP.	GA.	R	500,000	DIMUZIO	3&4	APRIL REFUNDING(DENIED)	04/20/81
06/23/81	06/15/81	04/04-0189	KITTY HAWK CAPITAL, LTD.	NC	N	1,000,000	DIMUZIO	3&4	APPROVED FOR AUG. FUNDING	07/10/81
06/25/81	06/22/81	04/04-0110	INVESAT CORPORATION	MS	N	1,000,000	DIMUZIO	3&4	APPROVED FOR AUG. FUNDING	07/10/81
06/25/81	06/23/81	04/04-0188	J & D CAPITAL CORP.	FL	N	500,000	DIMUZIO	3&4	RETURNED-INELIGIBLE	
06/25/81	06/24/81	04/04-0183	WESTERN FINANCIAL CAP. CORP.	AL	N	990,000	DIMUZIO	3&4	APPROVED FOR AUG. FUNDING	07/15/81
06/19/81	06/26/81	03/04-0008	VIRGINIA CAPITAL CORP.	VA	N	500,000	DIMUZIO	3&4	APPROVED FOR AUG. FUNDING	07/10/81
07/01/81	06/29/81	03/03-0140	CENTRAL CAPITAL CORP.	PA	N	1,000,000	DIMUZIO	3&4	APPROVED FOR AUG. FUNDING	07/16/81
07/01/81	06/30/81	04/10-0086	DELTA CAPITAL, INCORPORATED	N.C.	N	1,000,000	DIMUZIO	3&4	APPROVED FOR AUG. FUNDING	07/10/81
07/01/71	06/29/81	04/04-0113	FINANCIAL OPPORTUNITIES, INC.	KY	N	900,000	DIMUZIO	3&4	APPROVED FOR AUG. FUNDING	07/10/81
07/07/81	06/25/81	04/05-0010	GOLD COAST CAPITAL CORF.	FLA	N	270,000	DIMUZIO	3&4	APPROVED FOR AUG. FUNDING	07/10/81
07/09/81	06/29/81	05/05-0022	FIRST NORTH FLORIDA SBIC	FLA	N	1,000,000	DIMUZIO	3&4	DENIED	
08/31/81	06/29/81	04/05-0022	FIRST NORTH FLORIDA SBIC	FLA.	N	1,000,000	DIMUZIO	3&4	APPROVED FOR SEPT. FUNDING	09/10/81
09/01/81	08/19/81	04/04-0146	PEACHTREE CAPITAL CORFORATION	GA	N	280,000	DIMUZIO	3&4	NONE TRANSFER TO FY 1981 LOG	
09/02/81	08/20/81	03/02-0273	INVERNESS CAPITAL CORFORATION	VA	R	860,000	DIMUZIO	3&4	APPROVED FOR SEPT. FUNDING	09/10/81
10/06/81	09/25/81	04/04-0183	WESTERN FINANCIAL CAP. CORF.	FL	N	980,000	DIMUZIO	3&4	NONE TRANSFER TO FY 1981 LOG	

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03/17/81	03/13/81	09/12-0150	CROCKER CAPITAL CORP.	CALIF.	R	650,000	KLAFP	9&10	APRIL REFUNDING(APPROVED)	03/24/81
03/17/81	03/09/81	09/14-0037	SAN JOAQUIN CAPITAL CORP.	CALIF.	R	600,000	KLAFP	9&10	APRIL REFUNDING(APPROVED)	03/26/81
03/17/81	03/09/81	09/14-0037	SAN JOAQUIN CAPITAL CORP.	CALIF.	N	200,000	KLAFP	9&10	APPROVED FOR SEPT. FUNDING	09/10/81
06/02/80	05/30/80	10/13-0011	TRANS-AM BANCORP.,INC.	CALIF.	N	1,050,000	KLAFP	9&10	UNDER INVESTIGATION	
03/24/81	03/23/81	09/02-0175	MARWIT CAPITAL CORP.	CALIF.	R	250,000	KLAFP	9&10	APRIL REFUNDING(APPROVED)	04/20/81
03/25/81	03/10/81	09/14-0085	OCEANIC CAPITAL CORP.	CALIF.	R	180,000	KLAFP	9&10	APRIL REFUNDING(APPROVED)	04/20/81
03/25/81	03/24/81	09/12-0079	BRYAN CAPITAL CORPORATION	CALIF.	R	400,000	KLAFP	9&10	APRIL REFUNDING(APPROVED)	03/30/81
03/25/81	03/24/81	09/12-0075	EDVESTCO, INC.	CALIF.	R	400,000	KLAFP	9&10	APRIL REFUNDING(APPROVED)	03/30/81
03/27/81	03/19/81	09/09-0274	PAN AMERICAN INVESTMENT CO.	CALIF	N	7,000,000	KLAFP	9&10	RETURNED	06/03/81
03/27/81	03/26/81	10/13-0008	WASHINGTON CAPITAL CORP.	WASH.	R	550,000	KLAFP	9&10	APRIL REFUNDING(APPROVED)	04/20/81
"	"	"	"	"	N	2,700,000	"	9&10	RETURNED	06/03/81
03/27/81	03/19/81	09/09-0226	WEST COAST VENTURE CAP. CORP.	CALIF.	N	1,250,000	KLAFP	9&10	RETURNED	06/03/81
03/31/81	03/27/81	09/09-0209	BUILDERS CAPITAL CORP.	CALIF.	R	2,000,000	KLAFP	9&10	RETURNED	06/03/81
04/01/81	03/20/81	09/12-0099	SMALL BUS. INV. CO. OF HAWAII	HAWAII	R	300,000	KLAFP	9&10	APRIL REFUNDING(DENIED)	04/21/81
04/03/81	03/24/81	09/09-0211	FLORISTS CAPITAL CORP.	CALIF.	N	1,000,000	KLAFP	9&10	RETURNED	06/03/81
04/01/81	03/30/81	09/09-0195	SAN JOSE CAPITAL CORP.	CALIF.	N	800,000	KLAFP	9&10	RETURNED	06/03/81
04/30/81	04/21/81	10/13-0005	NORTHWEST BUSINESS INV. CORP.	CALIF.	N	230,000	KLAFP	9&10	APPROVED FOR AUG. FUNDING	07/10/81
05/04/81	04/23/81	10/10-0161	FIRST IDAHO VENT. CAP. CORP.	IDAHO	N	1,000,000	KLAPP	9&10	RETURNED	06/03/81
05/05/81	05/01/81	09/09-0224	WESTERN BANCORP VENT.CAP.	CALIF.	N	5,000,000	KLAFP	9&10	RETURNED	06/03/81
06/26/81	06/07/81	09/09-0226	WEST COAST VENTURE CAPITAL	CALIF.	N	1,000,000	KLAFP	9&10	APPROVED FOR AUG. FUNDING	07/10/81
06/26/81	06/23/81	09/09-0245	CROSSPOINT INVESTMENT CORF.	CALIF.	N	100,000	KLAPP	9&10	APPROVED FOR AUG. FUNDING	07/21/81
06/29/81	06/06/81	10/10-0161	FIRST IDAHO VENTURE CAP. CORP.	CALIF.	N	500,000	KLAFP	9&10	APPROVED FOR AUG. FUNDING	07/15/81
06/29/81	06/26/81	09/14-0085	OCEANIC CAPITAL CORF.	CALIF.	N	800,000	KLAFP	9&10	APPROVED FOR AUG FUNDING	07/16/81
06/29/81	06/26/81	09/09-0274	PAN AMERICAN INVESTMENT CO.	CALIF.	N	800,000	KLAFP	9&10	APPROVED FOR AUG. FUNDING	07/16/81
06/29/81	06/26/81	10/13-0008	WASHINGTON CAPITAL CORF.	WASH.	N	1,000,000	KLAPP	9&10	APPROVED FOR AUG. FUNDING.	07/10/81
06/30/81	06/22/81	09/09-0211	FLORISTS' CAPITAL CORP.	CALIF.	N	500,000	KLAPP	9&10	NOT ELIGIBLE	
06/30/81	06/22/81	09/09-0211	FLORISTS' CAPITAL CORP.	CALIF.	N	500,000	KLAPP	9&10	APPROVED FOR AUG. FUNDING	07/15/81
07/01/81	06/29/81	09/09-0209	BUILDERS CAPITAL CORP.	CALIF.	N	1,000,000	KLAPP	9&10	APPROVED FOR AUG. FUNDING	07/27/81
07/01/31	06/29/81	09/09-0224	FIRST INTERSTATE CAF., INC.	CALIF.	N	1,000,000	KLAFP	9&10	APPROVED FOR AUG. FUNDING	07/15/81
08/27/81	08/26/81	09/09-0211	FLORIST'S CAPITAL CORPORATION	CALIF.	N	500,000	KLAPP	9&10	APPROVED FOR SEPT. FUNDING	09/10/31
08/27/31	08/25/81	09/09-0195	SAN JOSE CAPITAL CORPORATION	CALIF.	N	1,000,000	KLAFP	9&10	APPROVED FOR SEPT. FUNDING	09/10/81
08/27/81	08/03/81	09/09-0226	WEST COAST VENTURE CAPITAL	CALIF.	N	1,000,000	KLAFF	9&10	~~NONE~~ APPROVED FOR AUG.	07/27/81
08/31/81	08/24/81	09/09-0245	CROSSPOINT INVESTMENT CORF.	CALIF.	N	540,000	KLAPP	9&10	APPROVED FOR SEPT. FUNDING	09/10/81
08/31/81	08/24/81	10/10-0170	WASHINGTON TRUST EQUITY CORP.	WASH.	N	500,000	KLAFF	9&10	APPROVED FOR SEPT. FUNDING	09/10/81
09/01/81	08/26/81	10/13-0014	NORTHERN PACIFIC CAPITAL CORP.	OR	N	300,000	KLAFF	9&10	APPROVED FOR SEPT. FUNDING	09/10/81
09/01/81	08/28/81	09/09-0209	BUILDERS CAPITAL CORP.		N	1,000,000		9&10	APPROVED FOR SEPT. FUNDING	09/11/81
09/01/81	08/31/81	10/13-0008	WASHINGTON CAPITAL CORF.		N	1,000,000		9&10	APPROVED FOR SEPT. FUNDING	09/10/81

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03/24/31	03/23/81	01/01-0011	SCHOONER CAPITAL CORP.	MASS.	N	2,400,000	WILKINSON	1	RETURNED	06/03/81
03/27/31	03/20/81	01/01-0030	ATLAS CAPITAL CORPORATION	MASS.	R	200,000	WILKINSON	1	APRIL REFUNDING(APPROVED)	04/09/81
03/27/81	03/23/81	01/02-0013	FIRST CONNECTICUT SBIC	CONN.	R	810,000	WILKINSON	1	APRIL REFUNDING(APPROVED)	03/31/81
"	"	"	"	"	N	40,000	"	1	RETURNED	
03/31/81	03/24/81	01/01-0055	BUSINESS ACHIEV. CORP.	MASS.	R	330,000	WILKINSON	1	APRIL REFUNDING(APPROVED)	04/09/81
03/31/81	03/16/81	01/01-0027	UST CAPITAL CORP.	MASS.	R	150,000	WILKINSON	1	APRIL REFUNDING(APPROVED)	04/20/81
"	"	"	"	"	N	850,000	"	1	RETURNED	
03/31/81	03/20/81	01/02-0052	SBIC OF CONNECTICUT	CONN.	R	50,000	WILKINSON	1	APRIL REF.(APPROVED)50.0	04/09/81
03/31/81	03/31/81	03/03-0119	HOUSING CAPITAL CORPORATION	D.C.	N	1,500,000	WILKINSON	1	RETURNED	06/03/81
04/01/81	03/23/81	01/01-0003	NARRAGANSETT CAPITAL CORP.	R.I.	R	1,000,000	WILKINSON	1	APRIL REFUNDING(DENIED)	04/20/81
03/31/81	03/31/81	03/04-0011	GREATER WASHINGTON INV. INC.	D.C.	N	900,000	WILKINSON	1	RETURNED	06/03/81
03/31/81	03/27/81	01/01-0018	MASSACHUSETTS CAPITAL CORP.	MASS.	R	700,000	WILKINSON	1	APRIL REFUNDING(APPROVED)	04/20/81
03/31/81	03/30/81	01/02-0098	MONMOUTH CAPITAL CORP.	N.J.	R	170,000	WILKINSON	1	APRIL REFUNDING(APPROVED)	04/09/81
04/01/81	03/20/81	02/02-0016	ENGLE INVESTMENT COMPANY	N.J.	R	280,000	WILKINSON	1	APRIL REFUNDING(DENIED)	04/14/81
04/02/81	03/26/81	02/02-0350	QUIDNET CAPITAL CORP.	N.J.	N	1,000,000	WILKINSON	1	RETURNED	06/03/81
04/01/81	03/27/81	02/02-0408	INTERSTATE CAP. CO., INC.	N.J.	N	500,000	WILKINSON	1	RETURNED	06/03/81
04/13/81	04/08/81	01/01-0300	ESLO CAPITAL CORP.	N.J.	N	1,000,000	WILKINSON	1	RETURNED	06/03/81
05/04/81	04/30/81	01/01-0309	ALTA CAPITAL CORPORATION	MASS.	N	2,000,000	WILKINSON	1	RETURNED	06/03/81
05/06/81	04/30/81	01/02-0029	ASSET CAP.& MGMT. CORP.	CONN.	N	1,000,000	WILKINSON	1	RETURNED	06/03/81
06/29/81	06/24/81	01/02-0029	ASSET CAP. & MGMT. CORP.	CT	N	700,000	WILKINSON	1	APPROVED FOR AUG. FUNDING	07/15/81
06/29/81	06/30/81	01/01-0309	ALTA CAPITAL CORP.	MA	N	1,000,000	WILKINSON	1	APPROVED FOR AUG. FUNDING	07/10/81
06/30/81	03/27/81	02/02-0408	INTERSATE CAP. CO., INC.	NJ	N	500,000	WILKINSON	1	APPROVED FOR AUG. FUNDING	07/10/81
06/30/81	06/26/81	03/04-0011	GREATER WASHINGTON INVESTORS, INC.	DC	N	1,000,000	WILKINSON	1	APPROVED FOR AUG. FUNDING	07/10/81
07/01/81	06/23/81	01/01-0027	UST CAPITAL CORP.	MA	N	200,000	WILKINSON	1	APPROVED FOR AUGUST FUNDING	07/24/81
07/01/81	06/25/81	01/01-0291	ADVENT CAPITAL CORPORATION		N	1,000,000	WILKINSON	1	APPROVED FOR AUG. FUNDING	07/16/81
07/01/81	06/25/81	01/01-0278	DEVONSHIRE CAPITAL CORPORATION	MA	N	1,000,000	WILKINSON	1	APPROVED FOR AUG. FUNDING	07/16/81
07/01/81	06/25/81	01/01-0305	CHESTNUT CAPITAL CORPORATION	MA	N	1,000,000	WILKINSON	1	APPROVED FOR AUG. FUNDING	07/10/81
07/01/81	06/25/81	01/01-0011	SCHOONER CAPITAL CORPORATION	MA	N	1,000,000	WILKINSON	1	DENIED	
07/01/81	06/30/81	03/03-0119	HOUSING CAPITAL CORPORATION	DC	N	500,000	WILKINSON	1	APPROVED FOR AUG. FUNDING	07/16/81
07/02/81	06/18/81	02/02-0350	QUIDNET CAPITAL CORPORATION	NJ	N	400,000	WILKINSON	1	APPROVED FOR AUG. FUNDING	07/10/81
07/02/81	06/29/81	01/01-0295	CAPITAL RESOURCE CO. OF CONN.	CT	N	70,000	WILKINSON	1	APPROVED FOR AUG. FUNDING	07/15/81
08/19/81	07/09/31	01/02-0305	J.H. FOSTER & CO.,LTD.PTN	CT.	R	1,000,000	WILKINSON	1	APPROVED FOR SEPT. FUNDING	09/04/81
08/25/81	08/24/81	01/02-0029	ASSET CAPITAL AND MGMT. CORP.	CT.	N	900,000	WILKINSON	1	APPROVED FOR SEPT. FUNDING	09/10/81
08/27/81	08/12/31	01/02-0052	SMALL BUS. INV. CO. OF CT.	CT	N	500,000	WILKINSON	1	APPROVED FOR SEPT. FUNDING	09/10/81
08/27/81	08/26/81	01/01-0287	S. B. I. C. OF VERMONT	VT	N	1,000,000	WILKINSON	1	DENIED	09/10/81
09/01/81	08/26/81	01/01-0305	CHESTNUT CAPITAL CORP.	MA.	N	1,500,000	WILKINSON	1	REDUCED TO $1.0 MILL. APPR.	09/10/81
09/01/81	08/26/81	01/01-0291	ADVENT CAPITAL CORP.	MA	N	3,000,000	WILKINSON	1	APPROVED FOR SEPT. FUNDING	09/14/81

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01/30/81	01/29/81	05/05-0105	TOMLINSON CAPITAL CORP.	OHIO	R	300,000	NEWELL	5&8	APRIL REFUNDING(APPROVED)	03/03/81
03/17/81	03/15/81	05/06-0017	DYCAP, INC.	OHIO	R	210,000	NEWELL	5&8	APRIL REFUNDING(APPROVED)	03/27/81
03/19/81	03/11/81	05/08-0006	NORTHWEST GROWTH FUND,INC.	MINN.	N	13,390,000	NEWELL	5&3	RETURNED	06/02/81
"	"	"	" " "	"	R	1,610,000	"	"	APRIL REFUNDING(APPROVED)	04/01/81
03/26/81	03/13/81	05/05-0112	INTERCAPCO, INC.	OHIO	N	600,000	NEWELL	5&8	RETURNED	06/02/81
03/30/81	03/25/81	05/05-0137	NATIONAL CITY CAP. CORP.	OHIO	N	2,500,000	NEWELL	5&8	RETURNED	06/02/81
03/31/81	03/25/81	05/07-0082	ABBOTT CAPITAL CORP.	ILL.	R	625,000	NEWELL	5&8	APRIL REFUNDING(APPROVED)	04/14/81
04/01/81	03/30/81	05/07-0023	CLARION CAPITAL CORPORATION	OHIO	N	1,000,000	NEWELL	5&8	RETURNED	06/02/81
04/02/81	03/20/81	05/06-0031	GRIES INVESTMENT CO.	OHIO	N	100,000	NEWELL	5&8	RETURNED	06/02/81
04/13/81	04/10/81	05/05-0117	CONTROL DATA CAPITAL CORP.	MINN.	N	2,500,000	NEWELL	5&8	RETURNED	06/02/81
04/30/81	04/20/81	05/08-0006	NORTHWEST GROWTH FUND, INC.	MINN.	R	594,000	NEWELL	5&8	RETURNED	06/02/81
04/30/81	04/28/81	05/05-0099	NORTH STAR VENTURES, INC.	MINN.	N	2,000,000	NEWELL	5&8	RETURNED	06/02/81
05/26/81	05/22/81	05/06-0031	GRIES INVESTMENT CO.	OHIO	N	100,000	NEWELL	5&8	APPROVED FOR AUG. FUNDING	07/10/81
05/26/81	05/22/81	"		OHIO	R	92,500	NEWELL	5&8	RETURNED	06/02/81
06/22/81	06/15/81	08/04-0048	CAPITAL CORP. OF WYOMING	WYOM.	N	300,000	NEWELL	5&8	APPROVED FOR AUG. FUNDING	07/10/81
06/25/81	06/21/81	05/05-0116	TAMCO INVESTORS SBIC, INC.	OH	N	350,000	NEWELL	5&8	DENIED	
07/01/81	06/25/81	05/07-0023	CLARION CAPITAL CORPORATION	OH	N	1,000,000	NEWELL	5&8	DENIED	09/11/81
07/01/81	06/26/81	05/05-0114	FRONTENAC CAPITAL CORPORATION	ILL	N	1,000,000	NEWELL	5&8	APPROVED FOR AUG. FUNDING	07/15/81
07/13/81	06/24/81	05/05-0123	CONSUMER GROWTH CAPITAL, INC.	MN	N	500,000	NEWELL	5&8	APPROVED FOR AUG. FUNDING	07/09/81
07/14/81	06/23/81	05/08-0006	NORTHWEST GROWTH FUND, INC.	MN	N	1,000,000	NEWELL	5&8	APPROVED FOR AUG. FUNDING	07/13/81
07/14/81	06/24/81	05/05-0117	CONTROL DATA CAPITAL CORP.	MN	N	1,000,000	NEWELL	5&8	APPROVED FOR AUG. FUNDING	07/13/81
07/16/81	05/29/81	05/05-0099	NORTH STAR VENTURES, INC.	MN	N	1,000,000	NEWELL	5&8	APPROVED FOR AUG. FUNDING	07/15/81
07/30/81	07/27/81	05/08-0006	NORTHWEST GROWTH FUND,INC.	MN	N	12,594,000	NEWELL	5&8	594,000R $4,000,000N AFFROVED FOR SEPT.	
07/30/81	07/17/81	05/05-0117	CONTROL DATA CAPITAL CORP.	MN	N	1,500,000	NEWELL	5&8	AFFROVED FOR SEPT. FUNDING	09/02/81
08/27/81	08/14/81	05/05-0137	NATIONAL CITY CAFITAL CORP.	OH	N	1,000,000	NEWELL	5&3	AFFROVED FOR SEPT. FUNDING	09/10/81
08/28/81	08/27/81	05/05-0099	NORTH STAR VENTURES, INC.	MN	N	2,000,000	NEWELL	5&8	APPROVED FOR SEPT. FUNDING	09/10/81
09/01/81	07/??/81	05/05-0116	TAMCO INVESTORS (SBIC), INC.	OH	N	350,000	NEWELL	5&8	AFFROVED FOR SEPT.FUNDING	08/31/81
09/01/81	08/20/81	05/07-0023	CLARION CAPITAL CORPORATION	OH	N	2,000,000	NEWELL	5&8	DENIED	09/11/81
09/02/81	08/14/81	08/08-0048	CAFITAL CORP. OF WYOMING, INC.	WY	N	300,000	NEWELL	5&8	APPROVED FOR SEFT. FUNDING	09/02/81
09/03/81	08/14/81	05/08-0015	RETAILERS GROWTH FUND, INC.	MN	N	410,000	NEWELL	5&8	AFFROVED FOR SEFT. FUNDING	09/02/81
09/08/81	08/21/81	05/06-0031	GRIES INVESTMENT COMPANY	OH	R	80,000	NEWELL	5&8	APPROVED FOR SEFT. FNDING	09/11/81

SBIC LEVERAGE BUDGET FY 1983

DATE OF FUNDING	# SBICS	REFUNDING AMT.	NEW MONEY AMT.	TOTAL AMOUNT	CUMM. QTR.	CUMM. FY	BUD. PAL.QUARTER	BUD. PAL. FY
BEGINNING OF 1ST QUARTER								
							34,200,000	160,000,000
10/20/82	10	300,000	10,800,000	11,100,000	11,100,000	11,100,000	23,100,000	148,000,000
11/24/82	10	2,000,000	9,700,000	11,700,000	22,800,000	22,800,000	11,400,000	136,300,000
12/22/82	12	1,250,000	7,630,000	8,880,000	31,680,000	31,680,000	2,520,000	128,320,000
BEGINNING OF 2ND QUARTER								
							42,000,000	128,320,000
01/19/83	3	2,300,000	-0-	2,300,000	2,300,000	33,980,000	39,700,000	126,020,000
02/17/83	12	12,120,000	6,000,000	18,120,000	20,420,000	52,100,000	21,580,000	107,900,000
03/17/83	22	2,250,000	19,233,000	21,483,000	41,903,000	73,583,000	97,000	86,417,000
		19?1						
BEGINNING OF 3RD QUARTER								
							43,800,000	86,417,000

SBIC LEVERAGE BUDGET FY 1982

DATE OF FUNDING	# SBICS	REFUNDING AMT.	NEW MONEY AMT.	TOTAL AMOUNT	CUMM. QTR.	CUMM. FY	BUD. BAL. QUARTER	BUD. BAL. FY
BEGINNING OF 1-ST QUARTER							40,000,000	160,000,000
10/21/81	3	-0-	6,500,000	6,500,000	6,500,000	6,500,000	33,500,000	153,500,000
11/18/81	4	-0-	4,940,000	4,940,000	11,440,000	11,440,000	28,560,000	148,560,000
12/23/81	13	1,050,000	12,500,000	13,550,000	24,990,000	24,990,000	15,010,000	135,010,000
BEGINNING OF 2-ND QUARTER							40,000,000	135,010,000
01/27/82	10	-0-	8,050,000	8,050,000	8,050,000	33,040,000	31,950,000	126,960,000
02/24/82	13	900,000	8,740,000	9,640,000	17,690,000	42,680,000	22,310,000	117,320,000
03/24/82	10	500,000	6,738,000	7,238,000	24,928,000	49,918,000	15,072,000	110,082,000
BEGINNING OF 3RD QUARTER							40,000,000	110,082,000
04/30/82	28	11,720,000	12,700,000	24,420,000	[illegible] 32,166,000	74,338,000	15,580,000	85,662,000
05/19/82	10	200,000	8,350,000	8,550,000	40,716,000	82,888,000	7,030,000	77,112,000
06/23/82	5	-0-	3,750,000	3,750,000	44,466,600	86,638,000	3,280,000	73,362,000
BEGINNING OF 4TH QUARTER							40,000,000	73,362,000
07/21/82	8	650,000	10,250,000	10,900,000	10,900,000	97,538,000	29,100,000	62,462,000
08/18/82	7	-0-	5,400,000	5,400,000	16,300,000	102,938,000	23,700,000	57,062,000
09/29/82	22	-0-	31,185,000	31,185,000	47,485,000	134,123,000	(7,485,000)	25,877,000

SBIC LEVERAGE BUDGET FY 1981

DATE OF FUNDING	# SBICS	REFUNDING AMT.	NEW MONEY AMT.	TOTAL AMOUNT	CUMM. QTR.	CUMM. FY	BUD. BAL. QUARTER	BUD. BAL. FY
BEGINNING OF 1-ST QUARTER							40,000,000	160,000,000
10/22/1980	10	1,000,000	10,660,000	11,660,000	11,660,000	11,660,000	28,340,000	148,340,000
11/19/1980	5	-0-	6,300,000	6,300,000	17,960,000	17,960,000	22,040,000	142,040,000
12/24/1980	5	-0-	8,496,000	8,496,000	26,456,000	26,456,000	13,544,000	133,544,000
BEGINNING OF 2-ND QUARTER							53,544,000	133,544,000
01/21/1981	2	-0-	1,650,000	1,650,000	1,650,000	28,106,000	51,894,000	131,894,000
02/18/1981	11	-0-	23,250,000	23,250,000	24,900,000	51,356,000	28,644,000	108,644,000
03/18/1981	11	-0-	13,200,000	13,200,000	38,100,000	64,556,000	15,444,000	95,444,000
BUDGET REDUCTION								(30,000,000)
BEGINNING OF 3-RD QUARTER							55,444,000	65,444,000
04/30/1981	30	15,061,500	-0-	15,061,500	15,061,500	79,617,500	40,382,500	50,382,500
BUDGET INCREASE								30,000,000
BEGINNING OF 4-TH QUARTER							90,382,500	80,382,500
08/05/1981	53	300,000	37,725,000	38,025,000	38,025,000	117,642,500	42,357,500	42,357,500
09/23/1981	37	4,734,000	37,590,000	42,324,000	80,349,000	159,966,500	33,500	33,500

Question 3

During the past two years, including in this fiscal year, has the agency allocated funds available to the SBIC program between the requests for new leveraging and the requests for refinancings? If yes, what has been that allocation ? Please provide copies of any memorandum, policy guidance, budget instructions or other documents relating to the allocation of SBIC funds between new leveraging and refinancings.

Answer

The Agency has not formally allocated funds between new money and refundings. We have by custom or practice always given preference to the refunding of maturing SBIC debentures assuming that an SBIC was in good standing on a regulatory and financial basis, and that it was actively financing small business concerns as the Congress intends. Failure of SBA to refund debentures which are maturing would require SBICs to collapse their portfolios, stop providing financing to small concerns, and thus eventually leave the program. We do not feel that the Congress intends for that to happen.

Included herewith are the policy statements issued by SBA over the past few years to SBICs concerning leveraging. These statements are self explanatory and go back to 1981 when the impact of refundings first became a significant budget issue. The latest one included was issued April 7, 1983, relative to the current budget quarter. The only other documents related to SBIC leverage are the quarterly Advice of Allocations issued by SBA's Controller. These are merely a straight line pro ration of the annual approved budget levels.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

DATE : April 7, 1983

TO : All Regular Small Business Investment Companies

FROM : Robert G. Lineberry
Deputy Associate Administrator
for Investment

SUBJECT: Memorandum #83-5
May 1983 - SBIC Funding

For the third quarter of FY 1983 (April, May, and June), the SBIC program has been allocated $43.8 million in the guarantee budget. We expect to fund between $20.0 million and $25.0 million in the April 1983 FFB sale. This will leave an available budget of between $23.8 million and $18.8 million for May 1983 and June 1983 combined.

During this third quarter, $27.4 million of SBIC debentures will mature and we expect applications for refunding of a significant portion of those maturities.

SBICs with debentures maturing on June 1, 1983, that wish to apply for the refunding of all or any part of those maturities, should submit applications to SBA for the May 1983 FFB sale which will take place May 31, 1983. The following requirements will apply:

(1) Applications should be submitted as soon as possible but should be received by SBA no later than May 1, 1983.

(2) Applications in excess of $500,000 should include debentures in multiples of $500,000 or less where necessary. The Board of Directors' Resolution, the opinion of independent counsel, and the two bank letters should refer to an aggregate amount "up to" the total application amount.

(3) Financial Statements, SBA Form 468, Part III, should be submitted as of the period ended not more than 30 days prior to the month of funding.

In addition to the above requirements, all applications will be subject to the Investment Division's credit, regulatory, liquidity, and SBIC performance standards.

SBA will give preference to the refunding of maturing debentures and therefore no new money leverage applications will be processed for the May 1983 FFB sale. As soon as possible after the May refunding totals become available, we will advise SBICs as to funds available for the June 1983 FFB sale.

Thank you for your continuing cooperation and should you have any questions, please call your respective Regional Chief.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

DATE : FEB 17 [illegible]

TO : All Regular Small Business Investment Companies

FROM : Robert G. Lineberry
Deputy Associate Administrator
for Investment

SUBJECT: Memorandum #83-3
March/April 1983 - SBIC Fundings

March 1983

SBA has now completed the offer for the February 1983, SBIC funding which will be in the amount of $18.1 million.

Thus far in the second fiscal quarter of 1983 (January and February), SBICs have used $20.4 million of the $42.0 million of guarantee authority budgeted for the quarter. This leaves $21.6 million available for the March 1983, funding.

SBICs that wish to apply in March for new leverage and/or for the refunding of maturing leverage may submit the appropriate applications to SBA for which the following requirements will apply:

(1) Applications should be submitted as soon as possible but will not be processed for the March funding if received later than March 7, 1983.

(2) Applications in excess of $500,000 should include debentures in multiples of $500,000 or less if necessary. The Board of Directors' Resolution, the opinion of independent counsel, and the two bank letters should refer to an aggregate amount "up to" the total application amount.

(3) Financial Statements, SBA Form 468, Part III, should be submitted as of the period ended not more than 30 days prior to the month of funding.

In addition to the above requirements, all applications will be subject to the Investment Division's credit, regulatory, liquidity, and SBIC performance standards.

April 1983

As of now, it is anticipated that there will be new money leverage available in the April funding. Therefore, any SBIC wishing to apply for leverage in April should submit their application to SBA for that funding no later than April 1, 1983.

Applications for the April 1983, funding must fulfill the same requirements as in effect for the March funding (except for the different filing deadline), and will be subject to the same Investment Division standards outlined above.

As soon as possible, SBICs will be advised of the availability of leverage for the months subsequent to April 1983.

Thank you for your continuing cooperation.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

DATE : JAN 6 1983

FROM : Robert G. Lineberry
Deputy Associate Administrator
for Investment

TO : All Regular Small Business Investment Companies

SUBJECT: Memorandum #83-2
February 1983 - SBIC Funding

This is to advise all SBICs that no new money leverage applications for February will be processed.

The SBIC program's FY 1983 Budget is in the total amount of $160.0 million of which $31.7 million has been used during the first quarter, and of which $42.0 million is available for the second quarter (January 1983 through March 1983).

During this second quarter, $42.7 million of gross outstanding SBIC debentures are maturing and an estimated two-thirds will require refunding (rollover) in the February 1983, FFB funding.

SBICs with debentures maturing March 1, 1983, and that wish to apply for the refunding of all or any part of those maturities, should submit applications to SBA for the February 1983 FFB sale which will be accomplished February 28, 1983. The following requirements will apply:

(1) Applications should be submitted as soon as possible but should be received by SBA no later than February 1, 1983.

(2) Applications in excess of $500,000 should include debentures in multiples of $500,000 or less if necessary. The Board of Directors' Resolution, the opinion of independent counsel, and the two bank letters should refer to an aggregate amount "up to" the total application amount.

(3) Financial Statements, SBA Form 468, Part III, should be submitted as of the period ended not more than 30 days prior to the month of funding.

In addition to the above requirements, all applications will be subject to the Investment Division's credit, regulatory, liquidity, and SBIC performance standards.

It is not possible at this time to provide SBICs advice as to funds availability for March 1983. As soon as possible, additional information will be made available with respect to March 1983, and the remaining portion of FY 1983.

SBA

Date: SEP 2 8 1982

From: Deputy Associate Administrator
for Investment

Subject: Memorandum #83-1
SBIC Program Leverage Budget - Fiscal Year 1983

To: All Regular Small Business
Investment Companies

The Government's Fiscal Year 1983 begins on October 1, 1982, and since it is not expected that the Congress will pass an annual appropriations bill before the election recess, the SBIC program, as in Fiscal Year 1982, will probably operate on continuing resolutions of the Congress for the near future. This means that SBA's guaranty allotments for the SBIC program will be issued on an incremental basis but at an annual rate equivalent to the Fiscal Year 1982 level of $160.0 million.

The uncertainty imposed by the budget process as described above is compounded by the uncertainty surrounding the amount of guaranty authority which SBA must reserve to refund outstanding SBIC leverage which matures during Fiscal Year 1983. For example, during Fiscal Year 1982 approximately $63.0 million of SBIC debentures matured while only $15.0 million of identifiable refunding took place.

In light of these circumstances SBA and SBICs must maintain a high level of flexibility in planning and operations. Therefore, the following requirements will apply for Fiscal Year 1983 until further notice.

(1) Applications should be received by SBA no later than the 1st of each month (except October 1982 applications should be here not later than the 6th).

(2) Applications in excess of $500,000 should include debentures in multiples of $500,000. The Board of Directors' Resolution, opinion of independent counsel, and two bank letters should refer to an aggregate amount "up to" the total application amount.

(3) Financial Statements, SBA Form 468, Part III, should be submitted for the period ending not more than 30 days prior to the month of funding.

(4) All applications must include an investment plan which include a forecast of the use of idle funds on hand and proceeds of the application. This plan must also include the names,

amounts and processing status of applicant's legally bindi
and other commitments for the financing of small business
concerns.

In addition to the above requirements, all applications will be subject to the Investment Division's credit, regulatory, and liquidity standards. We reserve the right to consider applicant SBA leverage ratio and other appropriate criteria to facilitate the equitable distribution of funds.

Continuing budgetary modifications may necessitate further chang to these requirements which we regret cannot be predicted at thi time. SBA will endeavor to keep SBICs continually advised of changing conditions.

Thank you in advance for your cooperation.

Robert G. Lineberry
Deputy Associate Administrator
for Investment

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Date: AUG 23 1982

To: All Regular Small Business Investment Companies

From: Deputy Associate Administrator for Investment

Subject: Memorandum #82-6
SBIC Leverage for September 1982
Fiscal Year 1982 Budget (FY 82)

This supersedes SBA's Memorandum #82-4, dated June 24, 1982, concerning SBIC leverage for FY 82.

For September 1982, the final month of FY 82, $57.0 million of SBA guaranty authority is available.

Funding applications will be processed subject to the following limitations and requirements:

(1) SBA will process applications for guaranty for the September 1982 Federal Financing Bank sale which are received by SBA no later than September 3, 1982.

(2) Applications in excess of $1,000,000 should include debentures in multiples of $500,000 or less. The Board of Director's Resolution, opinion of independent counsel, and the two bank letters should reflect amounts "up to" the aggregate amount of the total application.

(3) All applications must include an investment plan which must contain a forecast of the use of idle funds on hand and proceeds of the application. This plan must include the names, amounts and processing status of applicants legally binding, and other commitments for financing to small business concerns.

(4) Financial Statements, SBA Form 468, Part III, should be submitted for the period ending not more than 30 days prior to the month of the funding.

In addition to the above limitations and requirements, all applications must conform to the Investment Division's credit, regulatory, and liquidity standards. We reserve the right to consider applicant's SBA leverage ratio and other appropriate criteria to facilitate an equitable distribution of funds.

Thank you in advance for your cooperation.

Robert G. Lineberry
Deputy Associate Administrator
for Investment

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Date: JUL 16 1982

To: All Licensed Section 301(d) SBICs

From: Robert G. Lineberry
Acting Deputy Associate Administrator
for Investment

Subject: Memorandum # 82-5
Status of Section 301(d) SBIC Funding
Fiscal Year 1982

This memorandum is to advise each Operating MESBIC of the status of the MESBIC program budget for the remaining portion of Fiscal Year 1982.

The following table summarizes the program funding to date:

Total FY 1982 Budget Authority	$35.0 million
Less:	
MESBIC Fundings to Date	$19.6 million
Remaining Budget Authority	$15.4 million

A $6.0 million budget increase is pending subject to Congressional action.

We encourage eligible MESBICs in need of funds with which to finance small business concerns to submit their application for funds so that the remaining budget authority will be fully utilized.

SBA will as usual apply its standard credit and regulatory criteria to applications and, in addition, we reserve the right to consider any applicant's current liquidity, SBA leverage ratio, and other appropriate criteria to facilitate an equitable distribution of funds.

We trust this information will be helpful in planning your funding requirements.

Robert G. Lineberry
Acting Deputy Associate Administrator
for Investment

JUN 24 [illegible]

All Regular Small Business Investment Companies

Acting Deputy Associate Administrator
for Investment

Memorandum #82-4
SBIC Leverage for Fourth Quarter - Fiscal Year 1982 (FY 82)

This supersedes SBA's Memorandum #82-3, dated January 6, 1982, concerning SBIC leverage for FY 82.

We anticipate that the SBIC program will continue to be funded on a continuing resolution by the Congress for the remaining quarter of FY 82.

Through the June 23, 1982 Federal Financing Bank sale of SBA-Guaranteed SBIC (Debentures), use of the budget authority has been as follows:

Appropriated Guaranty Level	$150.0 million
Less:	
Refunding of Matured Debentures	14.4 million
New Money Funding	72.3 million
Net Guaranty Level Available	$ 73.3 million

There are Debentures in the amount of $13.0 million maturing during the final quarter of FY 82 which may require refunding. SBA will reserve that amount, leaving approximately $60.3 million for new leverage for the remaining months of FY 82.

SBA will allot these funds monthly on a straight-line basis, $20.0 million per month, to applicant SBIC's on a first come, first served basis with the following limitations and requirements:

(1) No SBIC application, or combination of applications will be approved for more than $3,000,000 during the quarter for any one SBIC.

(2) Applications in excess of $1,000,000 should include Debentures in multiples of $500,000 or less. The Board of Directors' Resolution,

opinion of independent counsel, and the two bank letters should reflect amounts "up to" the aggregate amount of the total application.

(3) Applications must be received by SBA no later than the first business day of the month in which funds are desired.

(4) All applications must include an investment plan which must contain a forecast of the use of idle funds on hand and proceeds of the application. This plan shall include the names, amounts, and processing status of the applicant's firm commitments for financings to small business concerns.

(5) Financial Statements, SBA Form 468, Part III, should be submitted for the period ending not more than 30 days prior to the month of the funding.

In addition to the limitations and requirements outlined above, all applications must conform to the Investment Division's credit and regulatory standards.

In addition, we reserve the right to consider applicant's current liquidity, SBA leverage ratio, and other appropriate criteria to facilitate an equitable distribution of funds.

Continuing budgetary modifications may necessitate further changes to these guidelines which, we regret, causes uncertainty in your cash flow planning and in ours.

Thank you in advance for your cooperation.

Robert G. Lineberry
Acting Deputy Associate Administrator
for Investment

SBA

U.S. Small Business Administration
Washington, DC 20416

Memorandum

Date: JAN 6 1982

From: Acting Deputy Associate Administrator
for Investment

Subject: SBIC Leverage for the Fiscal Year 1982

To: All Regular Small Business Investment Companies, #82-3

This supersedes our Memorandum #81-4, dated September 18, 1981, concerning SBIC leverage for the fiscal year 1982.

Total SBIC leverage for FY 82 (through September 30, 1982) as provided by the Congress in the Continuing Resolution to March 31, 1982 is $160 million. In the first three months of fiscal 1982, SBICs drew down $25 million. Approximately $45 million, after adjustments, in SBIC debt will mature during the fiscal year, and we will reserve that amount to cover the potential rollover of those maturing obligations. This leaves a balance of $90 million available for new fundings, which is allocated to SBA on a quarterly basis. We intend to continue monthly fundings with $10 million in new funds available each month.

All indications to date suggest that the level of demand for funds will exceed the available supply. Therefore, the following requirements will apply to FY 1982 fundings:

1. Applications must be received by SBA no later than the 1st of each month.

2. Applications for new funds may be for up to one tier (100 percent of private capital), but not to exceed $1,500,000 per quarter.

3. Applications in excess of $500,000 should include debentures in multiples of $500,000 or less. The Board of Directors' Resolution, opinion of independent counsel, and the two bank letters should reflect "up to" the aggregate amount of the total application.

4. <u>All</u> applications must include an investment plan. The investment plan must contain a forecast of the use of idle funds on hand and proceeds of the application. This plan shall include the names, amounts and processing status of financings proposed to small concerns.

5. Financial Statements, SBA Form 468, Part III, should be submitted for the period ending not more than 30 days prior to the month of the funding.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

NOV - 4 1981

Date: [illegible]

To: All Regular and 301(d) Small Business Investment Companies, #82-2

From: Peter F. McNeish
Deputy Associate Administrator
for Investment

Subject: Investment of Idle Funds in Repurchase Agreements

This office issued Memorandum #81-3, dated August 17, 1981, to the effect that: 1) Repurchase Agreements (Repos) involving the sale and repurchase by banks of United States obligations and/or, 2) Money Market Funds that invest solely in United States Government obligations were not eligible investments of idle funds, under Section 308(b) of the Act and Section 107.808 of the Rules and Regulations. We received several letters from licensees and the National Association of Small Business Investment Companies requesting that we reconsider our position with regard to Repos.

Based on additional information available to this office, we are pleased to advise you that a licensee may utilize the Repo method of investing idle funds under certain limited circumstances. A licensee may enter into a Repurchase agreement with the seller of a security ("the underlying security") if all the following conditions are met: (1) the underlying security is one that would in itself qualify under Sec. 308(b) of the Act; (2) the licensee acquires title to a specific underlying security, and not merely an undivided interest in a pool of such securities; (3) the licensee's ability to dispose of the underlying security at any time may not be restricted by the repurchase agreement with the bank.

The object of these conditions is to insure that if the bank is unable to meet its obligation to repurchase the underlying security, the licensee will still have a security that meets the requirements of Sec. 308(b), not an unqualified investment security, or a creditor's claim against the bank.

As we previously advised you, Money Market Funds are not eligible investments under Section 107.808 of the Regulations.

Peter F. McNeish
Deputy Associate Administrator
for Investment

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C 20416

Date: OCT 26 1981

To: All Regular and 301(d) Small Business Investment Companies - #82-1

From: Peter F. McNeish
Deputy Associate Administrator
for Investment

Subject: Investment Division Staff and Casework Realignment Effective October 23, 1981

Due to our current and prospective staffing limitations, coupled with significantly increased workload, it was determined that it was necessary to make the following staff and casework adjustments to assure continuing, effective management of the Investment Division's program responsibilities and to provide timely and responsive services to applicants and licensees.

Northeast

Jerome A. Dillon, Acting Chief (202) 653-6427
Milton A. Ganas, Financial Analyst
L. Victor Seested, Financial Analyst
Ronald H. Ward, Financial Analyst

Southeast

Marvin D. Klapp, Chief (202) 653-6473
Frederick Robinson, Financial Analyst
Robert F. Romaine, Financial Analyst

Midwest

Joseph L. Newell, Chief (202) 653-6690
Leonard J. Martin, Financial Analyst
Leonard Fagen, Financial Analyst

West

Patricia L. Wilkinson, Acting Chief (202) 653-6926
William P. Delaney, Financial Analyst
Henry T. McCarty, Financial Analyst
Douglas Thomas, Jr., Financial Analyst

SBA U.S. Small Business Administration Washington, DC 20416 **Memorandum**

Date: SEP 18 1981

From: Peter F. McNeish
Acting Associate Administrator
for Investment

Subject: SBIC Leverage for the Fiscal Year 1982

To: All Regular Small Business Investment Companies, #81-4

The total amount available for SBIC leverage in FY 1982 (Oct. 1, 1981 - Sept. 30, 1982) is currently set at $160 million. Approximately $63 million in SBIC debt will mature during that fiscal year, and we will reserve that amount to cover the potential necessity for rollover of those maturing obligations. This leaves a balance of $97 million available for new fundings, which is allocated to SBA on a quarterly basis. Consequently, we intend to return to regular monthly fundings with approximately $24 million in new funds available each quarter.

All indications to date suggest that the level of demand for funds will exceed the available supply. Therefore, the following requirements will apply to FY 1982 fundings:

1. Applications must be received by SBA no later than the 1st of each month.

2. Applications for new funds may be for up to one tier (100 percent of private capital), but not to exceed $3,000,000 per quarter.

3. Applications in excess of $1 million should include debentures in multiples of $1 million or less. The Board of Directors' Resolution, opinion of independent counsel, and the two bank letters should reflect "up to" the aggregate amount of the total application.

4. Financial Statements, SBA Form 468, Part III, should be for the period ending not more than 30 days prior to the month of the funding.

5. All applications received must conform with the Investment Division's credit and regulatory standards.

We also reserve the right to apply considerations of equitable distribution of funds, excessive liquidity and any additional criteria we determine applicable.

Finally, during these times of continuing budgetary modifications, these guidelines are subject to change. We regret this interposes an element of uncertainty in your cash flow planning and we appreciate your cooperation.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Date: JUL 10 [redacted]

To: All Regular Small Business Investment Companies, #81-2

From: Peter F. McNeish
Acting Associate Administrator
for Investment

Subject: SBIC Funding for September 1981

You were advised on June 1, 1981, that we would consider a September Funding if excess funds or new funds became available for the remainder of the 1981 Fiscal Year.

The remaining balance after the August 5, 1981, funding, plus additional funds authorized, net of potential roll-over of debentures being held on demand, will result in a balance of approximately $35 million available for leverage prior to the September 30, 1981, Fiscal Year end.

Consequently, we will have an additional funding on September 23, 1981.

The criteria specified in the June 1, 1981, memorandum will not be applied to this funding. However, in light of the uncertainty of demand for these limited funds, we do reserve the right to apply considerations of equitable distribution of funds, excessive liquidity and any additional criteria we determine applicable.

The following requirements do apply to this funding:

1. Applications must be received by SBA no later than September 1, 1981.

2. Applications in excess of $1 million should be in multiples of $1 million or less. The Board of Directors' Resolution, opinion of independent counsel, and the two bank letters should reflect "up to" the aggregate amount of the Application.

3. Financial Statements, SBA Form 468, should be for the period ended July 31, 1981.

4. All Applications received must conform with the Investment Division's credit and regulatory standards.

We are pleased these additional funds can be made available to the SBIC Industry for investment in small firms.

Peter F. McNeish
Acting Associate Administrator
for Investment

Question #4

With respect to requests for financings in fiscal year 1933, what standards, if any, is the agency using to determine whether to approve refinancings ? New leveraging ?

Answer

We do not use, nor do we intend to use different leverage standards for applications for refundings and new money applications. All applications for leverage, whether renewals or new, must meet the Investment Division's credit, regulatory, liquidity, and SBIC performance (activity) standards. As mentioned previously, only after an SBIC meets these basic requirements does the issue of refunding or new money enter the picture. A refunding applicant not meeting the basic standards would be denied leverage as would a new money applicant not meeting the standard. Assuming both a refunding applicant met the standards and a new money applicant met the standards, the refunding applicant would be given preference.

Question #4 (Second element)

Has the agency established any specific policies or guidelines with respect to leveraging requests from individual SBICs relating to liquidity, cash flow projections, investment commitments, or other similar criteria ?

Answer

No such specific policies or guidelines are established nor has SBA ever had any such policies or guidelines in specific form. The SBIC industry is a highly diverse group of companies with different legal structures, ownership characteristics. investment preferences, sizes, and ages. Such diversity requires SBA to have a wide degree of discretion and flexibility when considering such issues as liquidity, cash flow, and commitments. Any rigid set of standards would work against SBICs since SBA would be bound by such guidelines and would find it difficult to deviate even where circumstances might justify such a deviation.

No SBIC would bind itself to rigid policies when considering applications for financing from innovative small business concerns, since such restrictions would undoubtedly cause the SBIC to forgo otherwise promising investment opportunities. SBA is not any different in that respect.

We do address some fundamental questions when considering a leverage request as follows:

Does the SBIC indicate a willingness to comply with the Regulations and to operate within the intent of the Small Business Investment Act?

Is the SBIC active and is it supplying financing to the small business community on a continuing basis ?

Is the SBIC's liquidity excessive in light of its financial structure and activity level?

Is the financial condition of the the SBIC sound ?

Are the earnings trends of the SBIC adequate to pay its expenses, including interest due SBA, and to provide adequate reserves ?

Are the stockholders patient, and willing and able to support the SBIC during the time that it takes for portfolio value to develop ?

Question #5

How many new SBICs have been licensed in each of the last two years ? How many licenses have been surrendered ? What is the present number of SBICs eligible to receive financings ?

Answer

Attached hereto is a Statistical Package including 21 tables of data on the SBIC program as far back as such data are available. Table #7 of this package titled "Licensing Activity--Cal.Yr. '59 thru '82" provides the data you have requested on licensing.

We have not compiled statistics on surrender activity and would like to supply that information for the record as it will take some time to develop.

As for the number of SBICs eligible to receive financings, attached is the December 1982, Directory of Operating Small Business Investment Companies. This Directory provides a comprehensive list of operating SBICs and their private capital and existing outstanding leverage. You will find that there is approximatly $ 1.3 billion of unfunded leverage eligibility up to and including the 3:1 level of leverage in the SBIC program as of that date. **

** Extensive material retained in committee files.

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Table # 1

SBIC Small Business Financing
($ in millions)

FY Ended	First Financing #	First Financing $	Continuing Financing #	Continuing Financing $	Total Financing #	Total Financing $
Sept. '74	812	$79.0	854	$74.2	1,666	$153.2
Sept. '75	631	$59.5	900	$56.2	1,531	$115.7
Sept. '76	803	$66.6	807	$50.6	1,610	$117.2
Sept. '77	1,157	$123.3	897	$73.4	2,054	$196.7
Sept. '78	1,192	$157.4	905	$74.8	2,097	$232.2
Sept. '79	1,294	$168.7	927	$98.4	2,221	$267.1
Sept. '80	1,054	$167.9	971	$109.8	2,025	$277.7
Sept. '81	1,315	$216.4	1,143	$114.8	2,458	$331.2
Sept. '82	1,007	$193.6	1,140	$135.3	2,147	$328.9

FY Ended	Straight Debt #	Straight Debt $	Debt with Equity #	Debt with Equity $	Equity Only #	Equity Only $
Sept. '74	1,125	$89.3	358	$45.6	183	$18.3
Sept. '75	1,022	$62.2	316	$37.5	193	$15.8
Sept. '76	1,114	$56.4	385	$50.5	111	$10.3
Sept. '77	1,503	$112.0	378	$60.6	173	$24.1
Sept. '78	1,425	$118.5	479	$88.6	193	$25.1
Sept. '79	1,572	$138.2	433	$71.8	216	$57.1
Sept. '80	1,239	$95.9	486	$96.6	300	$85.7
Sept. '81	1,465	$113.1	489	$93.8	504	$124.4
Sept. '82	1,142	$93.6	523	$107.7	482	$127.6

FY Ended	Continuing as % Total Financing $	Equity Only as % Total Financing $
Sept. '74	48.4%	11.9%
Sept. '75	48.6%	13.7%
Sept. '76	43.2%	8.8%
Sept. '77	37.3%	12.2%
Sept. '78	31.9%	10.8%
Sept. '79	36.8%	21.4%
Sept. '80	39.5%	30.9%
Sept. '81	34.7%	37.6%
Sept. '82	41.4%	38.8%

Table # 2

MESBIC Small Business Financing
($ in millions)

FY Ended	First Financing #	First Financing $	Continuing Financing #	Continuing Financing $	Total Financing #	Total Financing $
Sept. '74	163	$5.8	211	$6.7	374	$12.5
Sept. '75	98	$5.3	192	$6.7	290	$12.0
Sept. '76	152	$6.5	198	$6.0	350	$12.5
Sept. '77	175	$10.8	243	$10.7	418	$21.5
Sept. '78	191	$15.0	263	$14.2	454	$29.2
Sept. '79	190	$17.4	277	$16.3	467	$33.7
Sept. '80	180	$19.1	301	$18.5	481	$37.6
Sept. '81	379	$29.8	311	$25.0	690	$54.8
Sept. '82	356	$23.4	394	$22.8	750	$46.2

FY Ended	Straight Debt #	Straight Debt $	Debt with Equity #	Debt with Equity $	Equity Only #	Equity Only $
Sept. '74	258	$6.8	68	$4.4	48	$1.3
Sept. '75	207	$7.0	46	$2.7	37	$2.3
Sept. '76	252	$7.1	70	$3.8	28	$1.6
Sept. '77	253	$9.1	132	$10.1	33	$2.3
Sept. '78	312	$15.4	119	$11.8	23	$2.0
Sept. '79	337	$18.3	105	$13.4	25	$2.0
Sept. '80	335	$17.2	129	$18.0	17	$2.6
Sept. '81	527	$33.3	113	$15.8	50	$5.7
Sept. '82	583	$28.1	138	$13.9	29	$4.2

FY Ended	Continuing as % Total Financing $	Equity Only as % Total Financing $
Sept. '74	53.6%	10.4%
Sept. '75	55.8	19.2
Sept. '76	48.0	12.8
Sept. '77	49.8	10.7
Sept. '78	48.6	6.8
Sept. '79	48.4	5.9
Sept. '80	49.2	6.9
Sept. '81	45.6	10.4
Sept. '82	49.4	9.1

Table # 3

SBIC FINANCING TO SMALL BUSINESS
1973 - 1982

Cal. Year	(1) Loan $	(1) Loan %	(2) Debt w/Equity $	(2) Debt w/Equity %	(3) Equity Only $	(3) Equity Only %	(2)+(3) Equity Type* $	(2)+(3) Equity Type* %	(1)+(2)+(3) Total $	(1)+(2)+(3) Total %
1973	$94.0	50.7	$64.2	34.6	$27.3	14.7	$91.5	49.3	$185.5	100.0
1974	$75.6	59.6	$34.3	27.1	$16.9	13.3	$51.2	40.4	$126.8	100.0
1975	$64.2	52.3	$43.9	35.8	$14.6	11.9	$58.5	47.7	$122.7	100.0
1976	$64.7	50.0	$50.2	38.8	$14.5	11.2	$64.7	50.0	$129.4	100.0
1977	$117.9	57.1	$65.5	31.7	$23.1	11.2	$88.6	42.9	$206.5	100.0
1978	$118.3	50.9	$89.1	38.3	$25.2	10.8	$114.3	49.1	$232.6	100.0
1979	$134.5	48.0	$67.7	24.2	$77.9	27.8	$145.6	52.0	$280.1	100.0
1980	$101.4	34.3	$104.4	35.4	$89.4	30.3	$193.8	65.7	$295.2	100.0
1981	$109.1	32.8	$105.4	31.7	$118.1	35.5	$223.5	67.2	$332.6	100.0
1982	$89.7	27.8	$96.9	30.0	$136.3	42.2	$233.2	72.2	$322.9	100.0

*Equity Type equals Debt w/Equity plus Equity Only.

Table # 4

DISBURSEMENTS TO SMALL BUSINESS
($ in millions)

12 Months Ended 3/31	SBICs		301(d)		Total	
	# Fin.	Amt.	# Fin.	Amt.	# Fin.	Amt.
1960	196	$9.9	0	0	196	$9.9
1961	1,376	$69.5	0	0	1,376	$69.5
1962	3,056	$154.3	0	0	3,056	$154.3
1963	3,034	$153.2	0	0	3,034	$153.2
1964	5,638	$220.0	0	0	5,638	$220.0
1965	4,763	$186.8	0	0	4,763	$186.8
1966	4,960	$221.1	0	0	4,960	$221.1
1967	3,728	$164.2	0	0	3,728	$164.2
1968	2,816	$143.2	0	0	2,816	$143.2
1969	3,090	$182.4	0	0	3,090	$182.4
1970	2,920	$187.0	0	0	2,920	$187.0
1971	2,536	$156.0	157	$1.9	2,693	$157.9
1972	2,733	$168.2	247	$3.5	2,980	$171.7
1973	2,405	$175.2	285	$5.2	2,690	$180.4
1974	2,000	$197.6	367	$12.4	2,367	$210.0
1975	1,516	$125.4	306	$10.9	1,822	$136.3
1976	1,708	$120.1	326	$11.8	2,034	$131.9
1977	1,801	$143.9	378	$17.1	2,179	$161.0
1978	2,106	$214.0	424	$24.8	2,530	$238.8
1979	2,099	$246.3	462	$30.7	2,561	$277.0
1980	2,182	$286.2	470	$37.9	2,652	$324.1
1981	2,225	$299.7	600	$46.2	2,825	$345.9
1982	2,407	$363.5	725	$50.0	3,132	$413.5
Cumulative	61,295	$4,187.7	4,747	$252.4	66,042	$4,440.1

GROSS LOANS AND INVESTMENTS OUTSTANDING
($ in millions)

SBIC 1/ FY	SBICs		301(d)		Total	
	# Rep	Amount	# Rep	Amount	# Rep	Amount
1960	80	$9.9	0	0	80	$9.9
1961	204	$79.4	0	0	204	$79.4
1962	516	$233.7	0	0	516	$233.7
1963	615	$386.9	0	0	615	$386.9
1964	649	$490.5	0	0	649	$490.5
1965	645	$536.5	0	0	645	$536.5
1966	606	$552.4	0	0	606	$552.4
1967	548	$535.8	0	0	548	$535.8
1968	441	$448.7	0	0	441	$448.7
1969	373	$437.1	0	0	373	$437.1
1970	331	$470.3	0	0	331	$470.3
1971	288	$472.9	21	$2.2	309	$475.1
1972	274	$502.4	31	$4.6	305	$507.0
1973	248	$500.4	37	$8.7	285	$509.1
1974	252	$569.4	50	$15.5	302	$584.9
1975	259	$574.9	39	$18.8	298	$593.7
1976	255	$569.1	66	$30.5	321	$599.6
1977	245	$566.5	74	$44.6	319	$611.1
1978	244	$582.8	70	$52.6	314	$635.4
1979	258	$640.5	61	$58.0	319	$698.5
1980	277	$775.3	68	$73.4	345	$848.7
1981	295	$946.7	96	$119.9	391	$1,066.6
1982 Est.	295	$1,004.6	95	$129.6	390	$1,134.2

1] Most Reports as of March 31 of Respective Year

Table # 6

Licenses Outstanding and
SBIC Program Capital Resources
($ in millions)

FY Ended	#	Private Capital	Leverage	Total
Sept. '74				
SBIC's	272	$386.5	$458.2	$844.7
MESBIC's	67	29.6	26.1	55.7
	339	$416.1	$484.3	$900.4
Sept. '75				
SBIC's	263	$396.7	$477.6	$874.3
MESBIC's	78	38.7	40.1	78.8
	341	$435.4	$517.7	$953.1
Sept. '76				
SBIC's	267	$402.3	$481.8	$884.1
MESBIC's	77	43.3	50.6	93.9
	344	$445.6	$532.4	$978.0
Sept. '77				
SBIC's	273	$428.3	$536.9	$965.2
MESBIC's	84	50.4	65.8	116.2
	357	$478.7	$602.7	$1,081.4
Sept. '78				
SBIC's	294	$448.1	$576.8	$1,024.9
MESBIC's	86	61.9	60.3	122.2
	380	$510.0	$637.1	$1,147.1
Sept. '79				
SBIC's	325	$541.6	$635.3	$1,176.9
MESBIC's	110	79.4	92.8	172.2
	435	$621.0	$728.1	$1,349.1
Sept. '80				
SBIC's	338	$596.3	$735.1	$1,331.4
MESBIC's	121	96.1	109.8	205.9
	459	$692.4	$844.9	$1,537.3
Sept. '81				
SBIC's	362	$713.0	$761.6	$1,474.6
MESBIC's	130	114.2	141.1	255.3
	492	$827.2	$902.7	$1,729.9
Sept. '82				
SBIC's	356	$765.6	$796.1	$1,561.7
MESBIC's	127	121.4	164.8	286.2
	483	$887.0	$960.9	$1,847.9

Table # 7

LICENSING ACTIVITY

Calendar Year	301(d) #	301(d) Priv. Cap.	SBICs #	SBICs Priv. Cap.	Total #	Total Priv. Cap.
1959	0		62	N.A.	62	N.A.
1960	0		113	N.A.	113	N.A.
1961	0		273	N.A.	273	N.A.
1962	0		216	N.A.	216	N.A.
1963	0		65	N.A.	65	N.A.
1964	0		49	N.A.	49	N.A.
1965	0		8	$4,524,500	8	$4,524,500
1966	0		8	$4,312,700	8	$4,312,700
1967	0		11	$18,513,500	11	$18,513,000
1968	1	$350,000	7	$14,263,895	8	$14,613,895
1969	2	$400,000	8	$10,637,049	10	$11,037,049
1970	19	$3,541,116	6	$7,418,000	25	$10,959,116
1971	22	$6,817,000	6	$2,004,000	28	$8,821,000
1972	14	$4,982,102	8	$3,572,949	22	$8,555,051
1973	13	$4,933,412	9	$4,462,650	22	$9,396,062
1974	10	$4,600,070	16	$17,002,840	26	$21,602,910
1975	13	$6,092,502	16	$10,075,000	29	$16,167,502
1976	9	$6,570,757	19	$14,159,000	28	$20,729,757
1977	10	$4,380,003	25	$18,746,940	35	$23,126,943
1978	20	$13,838,000	43	$54,435,488	63	$68,273,488
1979	28	$12,316,000	39	$46,788,716	67	$59,104,716
1980	31	$17,657,500	44	$61,372,723	75	$79,030,223
1981	16	$11,185,566	35	$39,686,878	51	$50,872,444
1982	11	$6,688,000	35	$41,718,730	46	$48,406,730

Table # 8

Licensing Activity
($ in millions)

	SBIC's		MESBIC's		Combined	
	#	Priv. Cap.	#	Priv. Cap.	#	Priv. Cap.
FY 1974	16	$16.6	6	$2.3	22	$18.9
FY 1975	13	$8.6	16	$7.5	29	$16.1
FY 1976	15	$7.8	8	$5.8	23	$13.6
FY 1977	27	$22.3	9	$4.1	36	$26.4
FY 1978	37	$29.5	19	$12.4	56	$41.9
FY 1979	45	$66.6	31	$13.8	76	$80.4
FY 1980	37	$49.6	23	$12.2	60	$61.8
FY 1981	44	$59.0	21	$13.2	65	$72.2
FY 1982	30	$33.8	8	$5.6	38	$39.4

Table # 9

Quarterly Licensing Totals of SBICs & 301(d) SBICs
(since 1975)

1975	SBICs #	SBICs Priv. Cap.	301(d) SBICs #	301(d) SBICs Priv. Cap.
Q I	6	$2,550,000	5	$1,571,502
Q II	0	-0-	3	1,705,000
Q III	6	3,825,000	3	1,766,000
Q IV	4	3,700,000	2	1,050,000
TOTAL	16	$10,075,000	13	$6,092,502
1976				
Q I	2	$507,000	4	$1,297,657
Q II	5	2,304,000	0	-0-
Q III	3	2,500,000	2	3,500,000
Q IV	9	8,848,000	3	1,773,100
TOTAL	19	$14,159,000	9	$6,570,757
1977				
Q I	6	$5,980,000	2	$479,820
Q II	6	4,310,240	2	1,000,000
Q III	6	3,113,700	2	800,000
Q IV	7	5,343,000	4	2,100,183
TOTAL	25	$18,746,940	10	$4,380,003
1978				
Q I	7	$4,308,608	5	$4,300,000
Q II	6	4,991,000	6	2,478,000
Q III	17	14,884,880	4	3,555,000
Q IV	13	30,251,000	5	2,505,000
TOTAL	43	$54,435,488	20	$12,838,000
1979				
Q I	6	$9,355,000	11	$4,987,000
Q II	14	19,589,585	0	-0-
Q III	12	7,410,031	15	6,319,000
Q IV	7	10,434,100	2	1,010,000
TOTAL	39	$46,788,716	28	$12,316,000
1980				
Q I	8	$9,309,500	6	$3,225,000
Q II	8	9,155,000	12	6,895,000
Q III	14	20,738,000	4	2,027,500
Q IV	14	22,170,223	9	5,510,000
TOTAL	44	61,372,723	31	17,657,500
1981				
Q I	11	$12,937,984	8	$4,609,500
Q II	6	7,162,763	0	-0-
Q III	13	15,693,214	4	3,576,066
Q IV	5	3,892,917	4	3,000,000
TOTAL	35	$35,686,878	16	$11,185,566
1982				
Q I	5	$3,187,050	0	0
Q II	9	11,201,580	2	1,130,000
Q III	11	15,475,000	3	1,508,000
Q IV	12	11,355,100	6	4,250,000
TOTAL	35	$41,718,730	11	$6,888,000

Table # 10

Quarterly Funding Totals of SBICs & 301(d) SBICs
(since 1975)

	SBICs		301(d) SBICs	
1975	#	Leverage	#	Leverage
Q I	15	$16,775,000	7	$4,200,000
Q II	16	17,920,000	7	1,720,035
Q III	14	7,120,000	7	2,735,000
Q IV	14	6,600,000	4	1,629,500
TOTAL	59	$31,656,775	25	$10,284,535
1976				
Q I	3	$4,320,000	9	$4,300,000
Q II	10	5,190,000	0	-0-
Q III	24	20,215,000	7	3,380,000
Q IV	30	23,340,000	7	5,450,000
TOTAL	67	$53,065,000	23	$13,130,000
1977				
Q I	23	$28,530,000	12	$4,169,000
Q II	22	16,350,000	10	6,097,293
Q III	23	17,270,000	8	3,330,000
Q IV	17	11,360,000	11	5,000,000
TOTAL	85	$73,510,000	41	$18,596,293
1978				
Q I	20	$22,324,000	5	$2,422,000
Q II	28	25,890,000	6	2,500,000
Q III	25	18,910,000	13	9,658,293
Q IV	23	17,510,000	7	5,237,000
TOTAL	96	$84,634,000	31	$19,817,293
1979				
Q I	28	$16,720,000	9	$5,716,000
Q II	22	19,570,000	8	3,550,000
Q III	36	33,380,000	9	5,997,000
Q IV	21	25,450,000	7	6,621,000
TOTAL	107	$95,120,000	33	$21,884,000
1980				
Q I	21	$17,850,000	8	$5,600,100
Q II	34	30,625,000	8	3,430,000
Q III	64	74,912,000	35	16,847,049
Q IV	20	26,456,000	13	7,093,000
Total	139	$149,843,000	64	$32,970,000
1981				
Q I	24	38,100,000	23	13,563,200
Q II	30	15,061,500	14	8,181,000
Q III	90	80,349,000	23	14,379,500
Q IV	20	24,990,000	6	3,189,000
TOTAL	147	$158,500,500	65	$38,812,000
1982				
Q I	33	24,928,000	8	4,475,000
Q II	43	36,720,000	12	9,041,000
Q III	37	47,485,000	17	9,950,000
Q IV	22	31,680,000	6	2,722,000

Table # 11

SPA LEVERAGE - REGULAR SPICS

Calendar Year	# SPICs	Amount (Thousands)	Weighted Interest Rate
1970	139	$59,566.2	7.285%
1971	93	$53,000.0	7.375%
1972	49	$38,560.0	7.000%
1973	85	$116,820.0	7.317%
1974	44	$42,300.0	8.122%
1975	55	$41,525.0	8.067%
1976	67	$53,065.0	7.55%
1977	74	$73,510.0	7.52%
1978	79	$84,634.0	8.55%
1979	79	$95,120.0	9.82%
1980	139	$149,843.0	11.24%
1981	147	$158,500.0	14.65%

Table # 12

SBA LEVERAGE - SECTION 301(d) SBICS

Calendar Year	# SBICs	Amount 1/ (Thousands)	Weighted 2/ Int./Div. Rate
1970	3	$1,000.0	4.250%
1971	5	$1,550.0	3.137%
1972	5	$2,280.0	3.000%
1973	27	$12,260.4	3.851%
1974	34	$15,177.9	3.426%
1975	22	$10,284.5	3.528%
1976	23	$13,130.0	4.815%
1977	40	$18,596.0	4.461%
1978	25	$19,817.0	5.373%
1979	27	$21,884.0	3.945%
1980	64	$32,970.0	5.049%
1981	65	$38,812.7	5.482%

1/ Includes Preferred Stock Purchases.

2/ Nominal Rates.

Table # 13

SBIC Debenture Sales
($ in millions)

FY Ended	#	$ Amount
Sept. '74	66	$83.7
Sept. '75	56	$53.1
Sept. '76	51	$36.3
Sept. '77	98	$85.5
Sept. '78	90	$78.5
Sept. '79	109	$87.2
Sept. '80	140	$148.8
Sept. '81	164	$159.9
Sept. '82	133	$134.1

FEDERAL FINANCING BANK

Table # 14

DATE	INTEREST RATES				SBIC's	
	3 Year	5 Year	7 Year	10 Year	$ Amt.	#
1974						
Aug. 09				9.10%	1,500,000	1
Sept.					No Sale	
Oct. 23				8.50%	2,000,000	2
Nov. 20				8.20%	4,700,000	4
Dec. 18				7.70%	4,570,000	5
1975						
Jan. 22				7.95%	8,700,000	7
Feb. 19				7.60%	4,490,000	3
Mar. 19				8.00%	3,585,000	5
Apr. 23				8.70%	4,400,000	5
May 21	7.56%		8.16%	8.28%	9,390,000	5
June 18		7.45%	7.69%	7.92%	4,130,000	6
July 23	7.98%	8.16%	8.23%	8.29%	3,780,000	6
Aug. 20	8.45%	8.59%	8.62%	8.65%	No Sale	
Sept. 24	8.405%	8.445%	8.495%	8.585%	3,360,000	8
Oct. 22	7.935%	8.065%	8.145%	8.255%	1,300,000	3
Nov. 19	7.655%	7.925%	8.145%	8.205%	2,200,000	2
Dec. 24	7.475%	7.825%	7.965%	8.045%	3,100,000	9
1976						
Jan. 21	7.215%	7.675%	7.885%	7.965%	No Sale	
Feb. 18	7.275%	7.645%	7.905%	7.965%	1,220,000	1
Mar. 24	7.225%	7.645%	7.815%	7.905%	3,100,000	2
Apr. 21	6.925%	7.395%	7.585%	7.725%	1,360,000	3
May 19	7.545%	7.835%	8.035%	8.145%	1,430,000	3
June 23	7.445%	7.725%	7.885%	8.025%	2,400,000	4
July 21	7.355%	7.725%	7.945%	8.085%	6,410,000	9
Aug. 18	6.995%	7.445%	7.755%	7.965%	9,255,000	10
Sept. 22	6.785%	7.275%	7.575%	7.755%	4,550,000	5
Oct. 20	6.155%	6.715%	7.165%	7.485%	5,750,000	8
Nov. 24	6.105%	6.445%	6.805%	7.335%	5,190,000	10
Dec. 22	5.825%	6.245%	6.545%	7.005%	12,400,000	12
1977						
Jan. 19	6.455%	6.775%	7.125%	7.455%	7,900,000	8
Feb. 23	6.555%	6.975%	7.335%	7.575%	15,530,000	10
Mar. 23	6.565%	7.045%	7.315%	7.605%	5,100,000	5
Apr. 20	6.235%	6.775%	7.125%	7.415%	7,000,000	9
May 18	6.685%	7.085%	7.415%	7.625%	4,600,000	8
June 23	6.525%	6.915%	7.215%	7.445%	4,750,000	9
July 20	6.705%	7.015%	7.295%	7.515%	12,900,000	14
Aug. 24	6.965%	7.225%	7.415%	7.565%	720,000	1
Sept. 21	6.975%	7.195%	7.345%	7.515%	3,650,000	8
Oct. 19	7.385%	7.455%	7.575%	7.675%	2,930,000	4
Nov. 23	7.355%	7.475%	7.585%	7.735%	5,900,000	9
Dec. 21	7.435%	7.655%	7.765%	7.865%	2,530,000	4
1978						
Jan. 18	7.835%	7.995%	8.075%	8.155%	6,820,000	9
Feb. 22	7.905%	8.055%	8.165%	8.275%	7,064,000	8
Mar. 22	7.795%	7.955%	8.055%	8.135%	8,440,000	3
Apr. 19	7.905%	8.055%	8.155%	8.255%	9,780,000	10
May 24	8.305%	8.395%	8.455%	8.545%	8,050,000	10
June 21	8.475%	8.515%	8.555%	8.625%	8,060,000	8
July 19	8.715%	8.725%	8.725%	8.825%	3,695,000	9
Aug. 23	8.575%	8.505%	8.525%	8.595%	10,290,000	10
Sept. 20	8.555%	8.595%	8.575%	8.545%	4,925,000	6
Oct. 18	8.685%	8.745%	8.785%	8.765%	3,280,000	5
Nov. 22	9.025%	8.915%	8.895%	8.895%	7,230,000	9
Dec. 20	9.645%	9.345%	9.315%	9.305%	7,000,000	9
1979						
Jan. 24	9.715%	9.385%	9.335%	9.305%	11,355,000	15
Feb. 21	9.465%	9.315%	9.295%	9.285%	2,315,000	6
Mar. 21	9.575%	9.385%	9.335%	9.295%	3,050,000	7
Apr. 18	9.695%	9.465%	9.415%	9.365%	3,865,000	5
May 23	9.585%	9.395%	9.395%	9.415%	10,800,000	9
June 20	9.175%	9.035%	9.035%	9.125%	4,905,000	8
July 18	9.105%	9.095%	9.135%	9.165%	16,650,000	15
Aug. 22	9.305%	9.225%	9.205%	9.205%	6,160,000	10
Sept. 19	9.925%	9.515%	9.585%	9.545%	10,570,000	11
Oct. 24	12.115%	11.[illegible]%	11.345%	11.135%	10,700,000	10
Nov. 21	11.535%	11.385%	11.175%	10.975%	[illegible],000	[illegible]
Dec. 19	10.975%	10.685%	10.605%	10.595%	[illegible],000	[illegible]

Table # 14 (Cont'd)

FEDERAL FINANCING BANK

DATE	INTEREST RATES				SBIC's	
	3 Year	5 Year	7 Year	10 Year	$ Amt.	#
1980						
Jan. 23	11.135%	11.035%	11.085%	11.135%	4,750,000	6
Feb. 20	12.615%	12.435%	12.415%	12.375%	9,250,000	9
Mar. 19	14.085%	13.375%	12.965%	12.755%	3,850,000	6
Apr. 23	11.395%	11.275%	11.065%	11.075%	9,695,000	13
May 21	9.815%	10.365%	10.635%	10.725%	6,030,000	9
June 18	8.685%	8.985%	9.235%	9.595%	14,900,000	12
July 23	9.255%	9.495%	9.795%	10.245%	18,450,000	21
Aug. 20	10.955%	11.105%	11.175%	11.255%	41,910,000	21
Sept. 24	12.075%	12.045%	11.945%	11.815%	14,552,000	22
Oct. 22	11.995%	11.855%	11.795%	11.765%	11,660,000	10
Nov. 19	13.655%	13.075%	13.075%	13.075%	6,300,000	5
Dec. 24	13.035%	12.475%	12.335%	12.265%	8,496,000	5
1981						
Jan. 21	13.375%	13.045%	12.915%	12.765%	1,650,000	2
Feb. 18	14.235%	13.975%	13.885%	13.775%	23,250,000	11
Mar. 18	13.395%	13.285%	13.045%	12.975%	13,200,000	11
Apr. 30	14.615%	14.405%	14.215%	14.055%	15,061,500	30
May 20	14.835%	14.345%	14.055%	13.925%	-0-	-0-
June 23	14.435%	14.085%	13.755%	13.565%	-0-	-0-
July 21	15.875%	15.375%	14.995%	14.715%	-0-	-0-
Aug. 5	16.165%	15.745%	15.355%	15.075%	38,025,000	53
Sept. 23	15.715%	15.445%	15.245%	14.915%	42,324,000	37
Oct. 21	15.485%	15.415%	15.285%	15.075%	6,500,000	3
Nov. 18	12.915%	13.335%	13.375%	13.195%	4,940,000	4
Dec. 23	14.075%	13.995%	13.955%	13.955%	13,550,000	13
1982						
Jan. 27	15.025%	14.925%	14.905%	14.815%	8,050,000	10
Feb. 24	14.395%	14.095%	14.015%	13.995%	9,640,000	13
Mar. 24	14.215%	14.035%	13.945%	13.865%	7,238,000	10
Apr. 30	14.145%	13.995%	13.925%	13.895%	24,420,000	28
May 19	13.845%	13.835%	13.785%	13.695%	8,550,000	10
June 23	15.045%	14.975%	14.975%	14.765%	3,750,000	5
July 21	13.845%	13.925%	13.915%	13.805%	10,900,000	8
Aug. 18	12.725%	13.125%	13.275%	13.215%	5,400,000	7
Sept. 29	11.995%	12.075%	12.115%	12.115%	31,185,000	22
Oct. 20	10.345%	10.535%	10.665%	10.705%	11,100,000	10
Nov. 24	9.985%	10.375%	10.565%	10.555%	11,700,000	10
Dec. 22	10.095%	10.425%	10.815%	10.825%	8,880,000	12
1983						
Jan. 19	9.485%	9.895%	10.255%	10.405%	2,300,000	3
Feb. 28	9.775%	10.075%	10.275%	10.545%	18,120,000	12
Mar. 23	10.105%	10.315%	10.585%	10.725%	21,483,000	22

Table # 15

SBIC PROGRAM
BUDGET REVIEW
FY 1970 - 1982

YEAR	($ in millions) PROGRAM BUDGET LEVELS GUARANTEE	DIRECT	TOTAL	($ in millions) ACTUAL PROGRAM LEVELS GUARANTEE	DIRECT	TOTAL	% TOTAL ACTUAL As % TOTAL BUDGET
1970	$40.0	$70.0	$110.0	$0.4	$59.6	$60.0	54.5%
1971	$30.0	$35.0	$65.0	-0-	$47.7	$47.7	73.3%
1972	$58.0	$20.0	$78.0	$38.6	$4.0	$42.6	54.6%
1973	$100.0	-0-	$100.0	$64.2	$3.0	$67.2	67.2%
1974	$100.0	$15.0	$115.0	$82.2	$15.6	$97.8	85.0%
1975	$150.0	$15.0	$165.0	$47.5	$14.7	$62.2	37.7%
1976	$150.0	$20.0	$170.0	$23.2	$8.7	$31.6	18.8%
1976 TO	$37.5	$5.0	$42.5	$20.2	$3.4	$23.6	55.5%
1977	$150.0	$20.0	$170.0	$85.5	$18.3	$103.8	61.1%
1978	$100.0	$20.0	$120.0	$78.5	$19.6	$98.1	81.8%
1979	$125.0	$22.0	$147.0	$87.2	$21.5	$108.7	73.9%
1980	$190.0	$38.0	$228.0	$148.8	$32.5	$181.3	79.5%
1981	$160.0	$42.0	$202.0	$159.9	$41.9	$201.8	99.9%
1982 P	$160.0	$35.0	$195.0	$134.1	$26.7	$160.8	82.5%

P = Preliminary

Table # 16

FUNDING OF SECTION 301(d) SBIC'S

Calendar Year	Preferred Stock		Debentures		Total	
	#	Amt.	#	Amt.	#	Amt.
1975						
1st Q	6	3,800,000	1	400,000	7	$4,200,000
2nd Q	2	710,000	5	1,010,035	7	1,720,035
3rd Q	5	2,300,000	2	435,000	7	2,735,000
4th Q	1	600,000	3	1,029,500	4	1,629,500
1976						
1st Q	6	3,500,000	3	800,000	9	4,300,000
2nd Q	-0-	-0-	-0-	-0-	-0-	-0-
3rd Q	1	505,000	6	2,875,000	7	3,380,000
4th Q	5	4,650,000	2	800,000	7	5,450,000
1977						
1st Q	5	1,699,000	7	2,470,000	12	4,169,000
2nd Q	5	3,664,000	5	2,433,293	10	6,097,293
3rd Q	4	2,150,000	4	1,180,000	8	3,330,000
4th Q	8	3,410,000	3	1,590,000	11	5,000,000
1978						
1st Q	5	2,422,000	-0-	-0-	5	2,422,000
2nd Q	1	500,000	5	2,000,000	6	2,500,000
3rd Q	7	5,075,000	6	3,583,293	13	9,658,293
4th Q	6	4,732,000	1	505,000	7	5,237,000
1979						
1st Q	4	3,316,000	5	2,400,000	9	5,716,000
2nd Q	5	2,250,000	3	1,300,000	8	3,550,000
3rd Q	5	4,243,000	4	1,754,000	9	5,997,000
4th Q	5	5,575,000	2	1,046,000	7	6,621,000
1980						
1st Q	6	4,800,100	2	800,000	8	5,600,100
2nd Q	6	2,430,000	2	1,000,000	8	3,430,000
3rd Q	25	11,837,049	10	5,010,000	35	16,847,049
4th Q	9	5,228,000	4	1,865,000	13	7,093,000
1981						
1st Q	11	6,838,200	12	6,725,000	23	13,563,200
2nd Q	10	6,856,000	5	1,325,000	15	8,181,300
3rd Q	19	11,109,500	6	3,270,000	25	14,379,500
1982						
1st Q	6	2,875,000	2	1,600,000	8	4,475,000
2nd Q	8	5,763,000	4	3,278,000	12	9,041,000
3rd Q	11	5,250,000	6	4,700,000	17	9,950,000
4th Q	4	1,722,000	2	1,000,000	6	2,722,000

TABLE #17

DISTRIBUTION OF SBIC CAPITAL

AS OF 12/31/81

INVESTMENT POLICY	SBICS #	SBICS %	PRIVATE CAPITAL $ AMOUNT	PRIVATE CAPITAL %	SBA LEVERAGE $ AMOUNT	SBA LEVERAGE %	TOTAL CAPITAL $ AMOUNT	TOTAL CAPITAL %	LEVERAGE RATIO
DIVERSIFIED	294	81.2	618,236,827	84.1	570,917,609	73.8	1,189,154,436	78.8	0.92
REAL EST./BUILDERS	26	7.2	45,408,902	6.2	106,302,288	13.7	151,711,190	10.1	2.34
RETAIL GROCERS	22	6.1	23,035,681	3.1	48,186,100	6.2	71,221,781	4.7	2.09
MISC. NON-DIVERSIFIED	20	5.5	48,748,702	6.6	48,113,670	6.2	96,862,372	6.4	0.99
TOTAL ALL SBICS	362	100.0	735,430,112	100.0	773,519,667	100.0	1,508,949,779	100.0	1.05

TABLE #18

INDUSTRY DISTRIBUTION
CALENDAR 1981 SBIC FINANCING

($ in millions)

SIC	DESCRIPTION	$ AMOUNT	% $	CUMMULATIVE $ AMOUNT	CUMMUL. %
36	Electrical&Electronic Mach.	35.5	10.67	35.5	10.67
35	Machinery(Incl. computers)	32.3	9.71	67.8	20.38
13	Oil and Gas Extraction	30.3	9.11	98.1	29.49
73	Business Services	20.3	6.10	118.4	35.59
15	Building Construction	20.2	6.07	138.6	41.66
48	Communication	20.2	6.07	158.8	47.73
38	Instruments&Related Products	14.9	4.48	173.7	52.21
54	Food Stores	13.4	4.03	187.1	56.24
58	Restaurants	11.1	3.34	198.2	59.58
65	Real Estate	11.0	3.34	209.2	62.92
80	Health Services	7.7	2.31	216.9	65.23
20	Food Manufacturing	7.5	2.25	224.4	67.48
34	Fabricated Metal Products	7.1	2.13	231.5	69.61
41	Local & Suburban Transit	5.4	1.62	236.9	71.23
50	Wholesale Trade-Durables	4.9	1.47	241.8	72.70
32	Stone,Clay,Glass, & Concrete	4.9	1.47	246.7	74.17
51	Wholesale Trade-Nondurables	3.7	1.11	250.4	75.28
	Fifty-four other industries	82.3	24.72	332.7	100.00

TABLE #19

COMPARATIVE INDUSTRY DISTRIBUTIONS

($ Financings during 1981)

[Percent of Total $ Financings]

MAJOR INDUSTRY GROUP	SBA (7) A LOANS	SBIC PROGRAM	PRIVATE SECTOR NATIONAL INCOME
Agri., Forestry, Fishing	2.5	0.7	3.7
Mining	1.3	9.4	1.7
Construction	5.1	6.6	5.9
Manufacturing	20.9	37.6	29.6
Trans.,Communic.,Util.	3.9	10.7	9.1
Wholesale Trade	12.7	2.6	7.0
Retail Trade	34.0	10.1	9.7
Fin.,Ins., Real Estate	0.7	4.1	14.7
Services	18.3	12.4	15.9
n.e.c.	0.6	5.8	2.5
Total	100.0	100.0	100.0

TABLE #20

INDUSTRY DISTRIBUTION OF SBIC FINANCINGS

(1975 THRU 1981)

(Percent of Total $ Financings)

MAJOR INDUSTRY GROUP	1976	1977	1978	1979	1980	1981	1982
Agri.,Forestry.Fishing	1.25	0.93	0.56	0.74	0.49	0.72	0.31
Mining	3.26	4.58	5.84	3.76	3.71	9.41	7.95
Construction	5.61	6.84	6.45	7.01	7.55	6.64	5.20
Manufacturing	37.99	33.87	36.15	36.52	38.86	37.57	40.32
Trans.,Communic.,Util.	5.56	5.65	6.78	11.60	10.40	10.73	14.23
Wholesale Trade	4.03	5.83	7.11	4.73	4.95	2.61	4.92
Retail Trade	20.01	16.68	14.52	14.42	13.39	10.07	9.65
Fin.,Ins., Real Estate	9.42	10.24	7.37	5.60	4.92	4.09	2.76
Services	12.44	11.49	11.65	14.81	14.71	12.38	11.05
n.e.c.	0.43	3.90	3.57	0.79	1.03	5.77	3.61
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Table # 21

Reconciliation of Total SBIC Leverage Through Sept.30, 1982

($ in thousands)

1 /	Total Leverage Disbursed	(100.0%)	$ 1,652,984	
	Minus:			
2 /	Total Chargeoff	(2.0%)	32,953	
5 /	Total Repaid	(29.8%)	492,881	
3 /	Equals: Total Outstanding	(68.2%)	$ 1,127,150	(100.0%)
2 /	Minus: Current Liquidation Cases	(11.2%)	184,877	(16.4%)
4 /	Active SBICs (6/30/82)	(46.9%)	775,071	(68.7%)
4 /	Active MESBICs "	(9.6%)	158,937	(14.1%)
5 /	Statistical Lag Active Cos.	(0.5%)	8,265	(0.7%)

Information Sources:

1 / SBA Historical Financial Records
2 / Office of Portfolio Mgmt. Annual Report 9/30/82
3 / SBA Fiscal Operation's Report of SBIC Loan Activity 9/30/82
4 / SBIC Directory of Operating SBICs 6/30/82
5 / Imputed

Senator NUNN. Mr. Childe, do you have any other recommendations, legislatively?

Mr. CHILDE. Within the context of the 501 companies, if we could get S. 745 passed, that would assist us tremendously. We need this legislation now because we have situations like Mike Johnson's where he is just completely loaned up.

We know that there are no direct moneys available. We are just coming out of a recession. It seems as if everybody is just kind of moving around slowly, saying, "Boy, I'm glad we survived that." But now is the time that everybody is expanding.

In Nebraska, for instance, we are operating on a four-times-normal inquiry basis. We have that many inquiries coming in on our loan programs. So in order to help us better serve the businesses in our areas—we are not greedy—745 would be a giant step in the right direction.

Senator NUNN. Do you believe SBA really intended to have a de facto repeal of the 501 program?

Mr. CHILDE. That is what the result was. I doubt that they did that from a positive mental state. It just ended up being that way.

They told us that we could not borrow under 501 unless we had been 75 percent loaned up with our member banks. Some of us will never achieve being 75 percent loaned up with our member banks. It was kind of a chicken-and-egg thing. It was there, but we didn't use all that had been appropriated, so they appropriated less, and then there was less there, and there was less activity, and they said, well, nobody is working this. We found ourselves caught in a Catch 22.

Senator NUNN. Are there any alternatives other than S. 745 that you know of to remedy this problem?

Mr. CHILDE. No, except the companion bill that you referred to, H.R. 2227. [Laughter.]

Senator NUNN. Do you know of any administrative remedy SBA could provide in this area? Do you think it can be done administratively?

Mr. CHILDE. We asked them that, as a matter of fact, whether they could do it administratively, and they didn't think so. They thought that it would take legislation, and that is why we then asked that this legislation be introduced.

Senator NUNN. Am I correct that the only manner in which the Small Business Administration can financially participate with the 501 business development companies is through a direct loan at this time?

Mr. CHILDE. Except for those of us who are also 7a companies or those of us who are also 503 companies.

Senator NUNN. Right.

Mr. CHILDE. Yes, to supplement the Business Development Corp., part of that, that is through the 501 system.

Senator NUNN. Could you furnish for the record the number of direct loans 501 companies have gotten from SBA in the last, say, 5 years, each years?

Mr. CHILDE. Yes, we will.

Senator NUNN. Or if there is a more logical time, if it is 7 years or whatever, we would appreciate it.

[Material follows:]

national association
of
business development corporations
suite 1044 stuart building lincoln, nebraska 68508 402/474-3855

April 25, 1983

The Honorable Sam Nunn
U.S. Senator
Senate Small Business Committee
424 Russell Senate Office Bldg.
Washington, D.D. 20510

Dear Senator Nunn:

On Wednesday, April 13, 1983, I appeared before the Senate Small Business Committee as President of the National Association of Business Development Corporations (NABDC) and in support of S. 745, the 501 Guaranteed Debenture Bill.

At the conclusion of that hearing, you asked me for some further information, more specifically the recent history of 501 borrowings by the 501 State Development Companies.

The following is the history of SBA approvals of 501 requests from State Development Companies for the last ten years. Most were also disbursed in the same calendar year, although a few held over into the following year:

1973 -	$2,000,000
1974 -	8,250,000
1975 -	1,800,000
1976 -	3,000,000
1977 -	1,000,000
1978 -	2,500,000
1979 -	2,750,000
1980 -	2,500,000
1981 -	500,000
1982 -	0
1983 -	0

The largest single reason for the dramatic drop-off in use was the unavailability of direct federal funds. As I indicated to you during the hearing, BDCs collectively think we can use somewhere around $12-15 million during the first fiscal year after we gain access to the guaranteed debenture market.

To re-cap then, Senator Nunn, this legislation is needed now because many BDCs are loaned up with their bank source of financing and there are no direct 501 dollars available. Now that the recession is dissipating, we are getting more and more inquiries and need loanable funds so that we can continue to best serve business in our respective areas.

We have enjoyed a unique two-way partnership with SBA that we want to see continued. SBA offers a source of additional lendable funds to BDCs. We offer SBA a way of getting its purposes accomplished and yet the BDC takes away the administrative burdens, the credit analysis and decision burden, and ultimately, the risk burden from SBA.

The beauty of S. 745 is that we are not proposing an untried, unproven or even new program. We suggest that everyone's purposes are best accomplished by a revitalization of what is presently on the books. We also suggest that there is enough room to accommodate this recommendation in the presently proposed budget structure.

I hope this information will be of usefulness to you and the Committee, Senator Nunn. If we may be of further assistance, please do not hesitate to contact us.

Sincerely,

James H. Childe

James H. Childe
President,
National Association of Business
Development Corporations

mb

Senator NUNN. Mr. Johnson, do you have any other legislative recommendations?

Mr. JOHNSON. No, sir, I don't think so. I think 745 would serve our purposes very well.

Senator NUNN. Mr. Sessions?

Mr. SESSIONS. No.

Senator NUNN. Thank you all for being here.

We will keep the record open for 2 weeks.

I also want to insert in the record statements made by the National Association of Small Business Investment Cos., and the American Association of Minority Enterprise Small Business Investment Cos., in support of S. 743 and S. 744.

[Material follows:]

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Statement of

WALTER B. STULTS

Before the

SENATE SMALL BUSINESS COMMITTEE

April 13, 1983

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

Thank you for the opportunity to testify today in favor of S. 743 and S. 744, bills which would increase the authorization ceilings for small business investment companies (SBICs) and minority enterprise SBICs (MESBICs).

I am Walter B. Stults, President of the National Association of Small Business Investment Companies (NASBIC), an organization which represents the overwhelming majority of all licensees operating under the Small Business Investment Act of 1958.

INTRODUCTION

On December 16, 1982, during your Committee's hearing on the SBIC program, NASBIC Chairman Robert Zicarelli presented a comprehensive review of our industry's background and its outstanding performance record. For that reason, I shall not dwell at any length on the SBIC

industry's remarkable achievements in fostering the birth and growth of tens of thousands of independent businesses. Nor shall I repeat Mr. Zicarelli's recital of the benefits of SBIC operations in terms of job creation, productivity, technological innovation, and revenue enhancements for the Federal Government.

Suffice it to say that SBICs are now more active than ever before in their history. Despite unfavorable economic conditions during the past two years, SBICs disbursed more dollars in 1981 and 1982 than in any two-year period. Most importantly, our members are analyzing more good investment applications than ever before. The U.S. entrepreneur sees opportunities when others are pessimistic; he foresees market niches for innovative goods and services even in recession years.

For all these reasons, our members are truly bullish on entrepreneurship in 1983, the year when we mark the 25th anniversary of the passage of the SBIC Act.

THE NEED FOR S. 743

1. Fiscal 1983

My introductory comments lead me logically into my plea for quick and favorable action on S. 743, the legislation introduced by Senator Nunn and co-sponsored by Senators Huddleston, Bumpers, Sasser, Baucus, Levin, Tsongas, Dixon, Boren, Chiles, and Boschwitz. As you know, this bill would increase SBA's ability to make loans to SBICs during the current fiscal year and for fiscal 1984.

The proposal is terribly important, because the ability of SBICs to help finance new and growing firms has been seriously restricted by the shortage of loans from SBA. During both fiscal 1981 and 1982, SBA was forced to allocate its scarce dollars among SBICs which had exhausted their own capital. The shortfall is even more serious during the current fiscal year, because a large number of the loans made to SBICs over the past 10 years are maturing this year. As long as the SBICs holding these borrowed dollars are actively operating and conforming to SBA regulations, the Agency has properly given priority to "rolling over" these maturing loans.

Your Committee recognized this crisis last year when it recommended raising the leverage ceiling from $160-million to $225-million. At the same time the House Small Business Committee and the full House passed a bill raising the fiscal 1983 ceiling for SBICs to $250-million. Unfortunately, the omnibus small business bill to which the SBIC provision was added did not become law.

Fiscal 1983 is half over and the fears we expressed last year have proven to be warranted. Under the $160-million ceiling, SBA has not been able to approve loan requests from many SBICs, and, as a result, the industry has been forced to curtail its activity.

During the first quarter of fiscal 1983, $4-million of maturing leverage was refinanced and $28-million in new money was made available to SBICs -- much less than the true demand. The second quarter was even worse, because $14.4-million was used to

roll over maturing loans, leaving about $27-million available for new leverage. In March, for example, SBICs applied for more than $47-million in leverage, even under the extremely restrictive allocation formulas announced by SBA, so little more than half of that amount could be funded.

The outlook for the balance of fiscal 1983 is terribly bleak. Maturing debentures total $101-million. If only 40% of that qualifies for roll over, then SBA will have less than $44-million for new leverage over the coming six months -- and that's little more than $7-million a month. We are certain that the effective demand will be at least three times that amount.

Mr. Chairman, these few statistics demonstrate beyond question that the increased authorization provided in S. 743 for fiscal 1983 is most urgently needed -- and needed as soon as possible. We are confident that the industry will make good use of the additional $90-million by putting it to work creating jobs, increasing productivity, and augmenting Federal tax revenues.

On Monday of this week, I received a copy of a letter which one of our members wrote to Senator Nunn telling that his SBIC needed $3-million in leverage in March, but was cut to $1-million by SBA. This member wrote: "Obviously, the impact of this shortage falls not only on us but also on the small growth companies we want to finance. We are forced to hold all of our uninvested dollars for companies already in the portfolio, so we cannot make any new deals until SBA gives us more leverage." I am certain that the writer of that letter was only one of many in

the same situation. Mr. Chairman, I have attached the letter from Robert Williams, Chairman of Regional Financial Enterprises, as an appendix to my remarks.

At a time when job creation is a national goal, we point to the fact that SBICs produce a permanent, new job in the private sector through the investment of only $6,463. You can see, then, that this added $90-million in loan guaranties (not budget outlays) will result in 13,925 additional jobs. In addition, the businesses we help finance will pay millions of dollars more in taxes next year and in years to come.

2. Fiscal 1984

S. 973 increases the maximum authorization for SBIC leverage to $250-million for fiscal 1984 from the $160-million provided under current law. We strongly support that increase.

Outstanding SBIC borrowings will mature at the rate of about $80-million in fiscal 1984 and 1985. If only one-half of those financings are rolled over when they mature, the total authorization will be reduced by the $40-million required for refinancings, leaving only $120-million in new money in fiscal 1984 (no authorization has been enacted for years beyond 1984).

Such a low ceiling will impact most adversely on the SBIC industry, jeopardizing greatly its effectiveness in providing venture capital for new and growing businesses. The shortfall in leverage during the past two and one-half years has already caused several excellent SBICs to leave the program. We know this attrition will accelerate unless the outlook improves

soon. In addition to the negative ramifications of this shortage, we wish to point out several reasons why our industry will require a greater ability to borrow from SBA in the months and years to come.

First: The industry has grown significantly over the past six years; we now have 360 SBICs, a 33% increase from mid-1977.

Second: Private capital invested in SBICs has more than doubled in the past six years, from about $400-million at the beginning of 1977 to more than $800-million on January 1, 1983.

Third: As I mentioned earlier, SBICs are investing at a much higher rate now than they were in earlier years. Disbursements have jumped from under $130-million in calendar 1976 to $323-million in the year which ended on December 31, 1982.

Fourth: The demand for SBIC dollars from well-qualified entrepreneurs has grown even more rapidly than the supply of venture capital available. Our members report an unprecedented "deal flow" today and we expect those requests to continue to accelerate as more and more entrepreneurs become aware of the existence of SBICs and other venture capital companies.

Fifth: Active SBICs today have private capital of more than $800-million and have drawn down about the same amount of SBA leverage. The law permits all SBICs to borrow from SBA up to $3 for every $1 dollar of private capital. I am quite certain the industry will never call for that entire amount, but it is almost certain that higher amounts of leverage will be sought as the newer SBICs invest all their own capital and as long-term interest rates drop from the 14% and 15% levels reached in 1981 and 1982.

I must conclude that the maintenance of a low ceiling on authorized leverage will jeopardize the continued growth of the SBIC and will cause a number of the best licensees to leave the program. Such a result will hurt those who have invested their own dollars in SBICs, but will be an unmitigated tragedy for the tens of thousands of potential entrepreneurs and existing small businesses which require SBIC dollars.

For all these reasons, I strongly urge the members of the Senate Small Business Committee and all Senators to approve the increased authorization contained in S. 743 for Fiscal 1983 and 1984.

3. Fiscal 1985

Mr. Chairman, I also ask that S. 743 be amended to include an authorization for fiscal 1985. I realize that sounds far off, but I would point out that it is less than 18 months away. Furthermore, you must recognize that the SBIC program operates on a long time frame. The managers and owners of SBICs must wait at least 10 years to profit from their investments; they attempt to calculate future events as well as they can. Uncertainty on prospects for borrowings from SBA is a major impediment to their success, so we urge the Committee to include the fiscal 1985 authorization in this legislation.

A companion bill, H.R. 2132, is now being considered by the House Small Business Committee. That measure would authorize a $330-million leverage ceiling for SBICs for fiscal 1985. Even though I personally believe the industry will be in a position to

utilize more than $330-million in fiscal 1985, I am certain that the approval of such a ceiling this year would restore a large degree of certainty to SBIC managers and would be most beneficial to smaller firms requiring venture capital.

S. 744 AND MESBICs

In spite of the fact that representatives of the American Associations of Minority Enterprise SBICs will present a statement on S. 744, NASBIC wishes to express its support for this bill. At the present time, 84 of the 130 active MESBICs are members of NASBIC and we work very closely both with our Section 301(d) members and with AAMESBIC.

Mr. Chairman, the Section 301(d) segment of our industry is also growing in size and in activity and will inevitably require more leverage than is now authorized. The average private capital of MESBICs has been growing and, with a number of new, large MESBICs in the program, the demand for SBA purchases of preferred stock and of debentures will surely be greater in the months to come. New policies on first-tier leverage have curtailed the demand during the past year or so, but our 301(d) members tell us they will apply for more leverage in the near future.

MESBICs, in common with other SBICs, must operate with the greatest degree of certainty. For that reason, we urge the Committee and the Senate to pass S. 744 as soon as possible.

CONCLUSION

Every member of this Committee is convinced that the vitality of small business is absolutely crucial to economic growth in the United States. You know it is the paramount provider of new jobs in the private sector; you recognized its critical role in new technologies when you led the fight for enactment of the Small Business Innovation and Research Act in 1982. Venture capital is essential to the birth and growth of small business -- SBICs are an integral part of the industry which provides such funding.

We thank the members of the Senate Small Business Committee for their support over the past 25 years. We trust we can count on your effective advocacy for the prompt passage of S. 743 and S. 744 this year.

REGIONAL FINANCIAL ENTERPRISES, INC.
1111 SUMMER STREET
STAMFORD, CONNECTICUT 06905

(203) 356-1730

ROBERT M. WILLIAMS
CHAIRMAN OF THE BOARD

April 7, 1983

The Honorable Sam Nunn
SD 335
United States Senate
Washington, DC 20510

Dear Senator Nunn:

I have just read in NASBIC News that you have introduced legislation which would increase the leverage ceiling for SBICs and allow SBA to provide more loans to the industry between now and the end of fiscal 1983.

My associates and I are most grateful to you for taking that action because we are being forced to slow down our investment activities because of the uncertain leverage situation. Specifically, our SBIC has private capital of $12 million which is almost completely invested or committed. In March, we applied for $3 million as our first leverage from SBA. We were very disappointed when we learned that the Investment Division approved only $1 million rather than the $3 million we need to be active for the next several months. ID officials have told us our request was cut because it had a limited authority to extend leverage for the balance of this fiscal year.

Obviously, the impact of this shortage falls not only on us but also on the small growth businesses we want to finance. We are forced to hold all of our uninvested dollars for companies already in our portfolio, so we cannot make any new deals until SBA gives us more leverage.

I know our situation is not unique because we work closely with a number of SBICs and find that they, too, are seeing many good investment opportunities in new and growing businesses, but are restricted because of the cloudy outlook for leverage.

Again, we thank you for your understanding and your support. If anyone here at Regional Financial Enterprises can be of any assistance, please give us a call.

Sincerely,

Robert M. Williams

RMW:vap

cc: Walter Stults

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Executive Assistant

APRIL 13, 1983

TESTIMONY

OF

PATRICIA D. JACOBS, PRESIDENT

OF

THE AMERICAN ASSOCIATION OF

MINORITY ENTERPRISE SMALL BUSINESS

INVESTMENT COMPANIES

before the

SENATE SMALL BUSINESS COMMITTEE

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Executive Assistant

The American Association of Minority Enterprise Small Business Investment Companies (AAMESBIC) is pleased to have the opportunity to present testimony before the Senate Small Business Committee today in favor of S. 744.

MESBICs were created administratively in 1969 and through legislative mandate in 1971. Regulated by the Small Business Administration, MESBICs are specialized venture capital vehicles investing in minority-owned small businesses. Under the Small Business Investment Act of 1958, MESBICs are eligible for up to four tiers of leverage from the Small Business Administration (SBA) on their invested private capital. This private/public sector partnership serves to maximize the pool of funds available for investment in the minority small business community at the same time it provides a per-

sonal incentive to seek out the highest utility of government dollars.

S. 744 increases the authorization ceiling for MESBICs in FY 1984 to $45 million. With factors such as the high risk area of our investments, combined with high interest rates, this show of support for the industry is beneficial not only monetarily, but will insure the maintenance--and work to increase--the critical private sector participation in the industry and the continuity of a smooth private/public sector working relationship.

The accomplishments and continuing contributions to the American economy of the MESBIC industry have been recognized and acknowledged by the Administration through President Reagan's proposals over the past two years for increased funding for the MESBIC program in his FY'83 and FY'84 budgets. The nature of the MESBIC program is not only consistent with, but fundamental to, the goals of the present Administration--to maximize private sector participation in the economy. By the end of 1982, over $121 million in private capital had been invested in the MESBIC industry, with a government investment of approximately $164 million. When capital attracted from other

private sector sources by initial investments made by MESBICs is taken into account, the private/public funds ratio jumps to 6:1.

Congress, also, has indicated its continuing support of the MESBIC industry. Chairman Parren Mitchell, of the House Small Business Committee, has recommended an even higher level of funding for MESBICs than the Administration has in this year's budget. The reason for the industry's widespread support can be found through the examination of the industry's record.

In 1982, MESBICs invested a total of $54.7 million targeted for the minority small business sector. This amount provided for the financing of 824 businesses, bringing the total number of financings since 1973 to 4,348.

In 1981, MESBICs invested over $54 million in minority businesses. These investments helped to create or maintain more than 12,000 jobs in the sector of the population which recently reached an unprecedented level of over 20% unemployment. Assuming an approximate 1:1 ratio of government to private dollars invested, each

job cost the government approximately $2,250. This does not include the benefits accruing to the government from these investments, such as payroll and corporate income taxes generated by these investments. We believe these payments to the government in 1981 were approximately $36 million. Clearly, the MESBIC program is effective and efficient.

At the risk of being repetitive, the Association would like to mention a topic it has presented to the Committee in the past. In recent years, the industry has faced a variety of leverage situations. The industry enjoyed the strong financial support of Congress through its appropriations in each year from the program's inception until 1979, when applications for funds exceeded appropriations. This problem was corrected the following year with a funding increase, although a large amount of the 1980 dollars were spent in covering the applications that had been carried over from 1979. In 1981, we were temporarily put in the position of being totally stricken from the budget. It took months of hard work and strenuous efforts by the industry to re-install the program funds in the budget. Conversely,

in 1982, both the Administration and Congress recommended considerable increases in MESBIC funds, although the program was ultimately placed under a continuing resolution at the 1981 level. Currently, the Administration and Congress are once again recommending an increase in funds for the MESBIC program. We have learned from past experience, however, to be cautious as to what the final outcome of the budgetary process will be. We therefore ask for the committed support of the Senate Small Business Committee in obtaining an increase in authorization for the MESBIC industry in the coming year. Your support will not only help MESBICs finance the deals they negotiate this year, but will give the industry a more solid foundation on which it may attract additional private capital.

In an uncertain economic climate, it is even more important that no policy shifts with regard to the MESBIC industry occur, or even be perceived as a possibility. Given the high risk area of our investments, any uncertainty as to government policy regarding the MESBIC industry would prove to be a major disincentive to further investments by the private sector in MESBICs. In fact,

even the existing capital would tend to be locked into place by MESBICs seeking to insure adequate capital to cover future needs of existing portfolio companies. Only a stable, consistent stance by the Administration and Congress will insure the maintenance and work to increase the critical private sector participation and the continuity of a smooth private/public sector working relationship. We believe your committed support of S. 744 will help to provide that stability.

We thank the Committee for this opportunity to present our testimony on behalf of the MESBIC industry, and stand ready at any time to provide the Committee with additional information.

Senator NUNN. We appreciate very much your participation.

At this stage, we will keep the record open for 2 weeks, and if any of you need a longer time than that, if you will let us know, we will take a look at it.

We hope to hear from the SBA on this in the near future.

Thank you all for being here.

[Whereupon, at 11:03 a.m., the committee recessed, to reconvene on other business at 2 p.m., the same day.]

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